China and Russia – A Study on Cooperation, Competition and Distrust

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Cover photo: Michael Johnson, by permission, http://www.travellerspoint.com/photos/gallery/users/Lavafalls/. The Chinese–Russian Border. The text on the Chinese arch says “People’s Republic of China” (Zhonghua Renmin Gongheguo -中华人民共和国). The text on the Russian arch says ”Russia” (Россия).

Sammanfattning

Kina och Ryssland delar en geopolitisk världsbild och vill se en multipolär värld. Hur deras relation utvecklas och hur de upplever sina positioner i det internationella politiska systemet har stor betydelse för den globala utvecklingen. Syftet med rapporten är att analysera förhållandet mellan Kina och Ryssland från ett politiskt och ekonomiskt perspektiv. Den jämför också hur länderna ser på sig själva och sin roll i världen. Länderna samarbetar och konkurrerar inom olika områden. Deras intressen och ambitioner exemplifieras med deras politik i Centralasien och Stillahavsregionen. Genom hela rapporten belyses USAs roll som konkurrent och samarbetspartner till båda länderna.

Partnerskapet mellan Kina och Ryssland gör det möjligt att föra en multipolär utrikespolitik och balansera Västs inflytande. För Kina utgör det stöd för att motverka USAs inflytande i Stillahavsregionen. Det ekonomiska beroendet mellan Kina och Ryssland är begränsat, men samarbetet inom energiområdet kan utvecklas och vapensamarbete med teknologiöverföring är viktiga moment för båda parter och energisamarbetet ökar. Kinas gradvisa ekonomiska reformer har skapat en ekonomisk supermakt som inom kort kommer att gå om USA som den största ekonomin i världen, medan Rysslands ekonomi stagnerar. Den kinesiska utrikespolitiken skapar förutsättningar för ekonomiskt samarbete vilket har varit framgångsrikt i konkurrensen med Ryssland i Centralasien. En svaghet i partnerskapet är att USA är den viktigaste relationen för båda länderna. USA är Kinas enda egentliga strategiska partner, vilket försvagar partnerskapet med Ryssland. Rysslands aggression mot Ukraina 2014 har resulterat i försämrade relationer till Väst vilket innebär att partnerskapet med Kina har fått en ny dimension.

Nyckelord: Kina och Ryssland; strategiskt partnerskap; stormakt; USA; Centralasien; Stillahavsregionen; Ukraina; balansera makt; energisamarbete; vapenhandel; teknologiöverföring.

Summary

China and Russia share a geopolitical world view and a preference for a multipolar world. How their relationship evolves and how they understand their respective positions in the international system are vital for the development of global affairs. The purpose of this report is to analyse the relationship between China and Russia from a political as well as an economic perspective. In this context it compares how the two countries perceive themselves and their role in the world. The report provides an overview of the national foreign policy elements and the economic ties between the two countries. China and Russia cooperate and compete in many areas and their interests and ambitions are exemplified by their policies in Central Asia and Asia-Pacific. Throughout the report the role of the United States as a competitor and a partner to both countries is discussed.

The partnership with China offers Russia an opportunity to conduct a multi-vector foreign policy and thereby to counterbalance the hegemony of the West. For China it supports the efforts to offset the US influence in the Asia-Pacific. Economic interdependence between the countries is limited, but arms trade and technology transfer are vital elements and energy cooperation is developing. China's gradual economic reforms have created an economic superpower that will soon be overtaking the United States as the largest economy in the world, while Russia's economy is stagnating. A weakness in the relationship is the fact that relations with the United States are the most important for both China's and Russia's foreign policy. The United States is China's only real strategic partner, which adds to the weakness of the partnership with Russia. The Russian aggression against Ukraine in 2014 is found to be a defining moment for the Sino-Russian relationship.

Key words: China and Russia; strategic partnership; great power; United States; Central Asia; Asia-Pacific; Ukraine; balancing power; energy cooperation; arms trade; technology transfer.

Preface

The Russia Studies Programme (Russian Foreign, Defence and Security Policy, RUFS) and the Asia Security Studies Programme at FOI have for several years jointly analysed issues where Russian and Asian affairs intersect. In the report ISAF's withdrawal from Afghanistan – Central Asian perspectives on regional security (FOI-R--3880--SE) the two projects collaborated in analysing the broader challenges Central Asia faces, specifically with regard to Afghanistan but also more broadly. Earlier reports have covered the Shanghai Cooperation Organisation (SCO), an important regional organisation in which China and Russia are both parties. In 2014 the Swedish Ministry of Defence commissioned a report on the bilateral relationship between China and Russia.

As Russia tries to reassert its status as a great power and a quickly rising China tries to find a new and more influential place in the international order, their bilateral relations have increasingly come into focus. Fundamental questions about the nature of these two countries' "strategic partnership", what it entails and what importance it has, needs to be answered. Are the two moving towards a security alliance with a military component? Is the partnership a comprehensive one or do the two countries only collaborate in certain areas and on specific issues? These and other questions are addressed in this report.

Several people have been involved in the drafting and editing process. Märta Carlsson covered the bilateral relationship from the Russian perspective and also coordinated the project during 2014. Mikael Weissmann (PhD Peace and Development Studies) is an expert on China and East Asian security. He wrote about China's foreign policy and its perspective on relations in the Central Asian and Asia-Pacific regions and with regard to the events in Ukraine 2014. Susanne Oxenstierna (PhD Economics) wrote the chapter on the countries' economies and their economic relations as well as doing the final editing of the report as a whole. The introduction and the conclusion were developed by the three authors together. Per Wikström, at FOI's Division for CBRN Defence, provided the group with maps.

We would like to thank Shaun Breslin for delivering insightful comments on a draft of the report in October 2014. A number of people have shared their expertise with the authors during the work on the report and are all due thanks for this. In addition, the Swedish Embassy in Moscow and the Swedish Embassy in Beijing were instrumental in helping to arrange interviews with institutes and experts in Moscow and Beijing respectively. Bobo Lo also contributed by sharing his insights on Russian foreign policy. Eve Johansson is due credit for language-editing the report. Finally, we would like to thank Heidi Askenlöv and Tomas Malmlöf for the layout.

John Rydqvist and Carolina Vendil Pallin, June 2015

Acronyms and abbreviations

ABM Anti-Ballistic Missile Treaty

AMS Academy of Military Science of the PLA

ASEAN Association of Southeast Asian Nations

bcm billion cubic metres

bn billion

BP British Petroleum

BRIC Brazil, Russia, India, China

BRICS Brazil, Russia, India, China, South Africa

CAST Center for Analysis of Strategies and Technologies

CCP Communist Party of China

CICIR China Institutes of Contemporary International Relations

CIIS China Institute of International Studies

CIS Commonwealth of Independent States

CPI Corruption Perception Index

CSTO Collective Security Treaty Organization

CSY China Statistical Yearbook

DPRK Democratic People's Republic of Korea (North Korea)

ESPO East Siberian Oil Pipeline

EU European Union

FDI foreign direct investment

FOI Totalförsvarets forskningsinstitut; Swedish Defence Research Agency

GDP gross domestic product

IEA International Energy Agency

IMF International Monetary Fund

ISAF International Security Assistance Force

MAP NATO membership action plan

mtoe million tons of oil equivalent

NATO North Atlantic Treaty Organization

PBSC Politburo Standing Committee (China)

PISM Polish Institute of International Affairs

PLA People's Liberation Army

PRC People's Republic of China

R&D research and development

RICRussia, India, China

RUFS Rysk utrikes-, försvars- och säkerhetspolitik (FOI's Russia Programme)

SCO Shanghai Cooperation Organisation

START Strategic Arms Reduction Treaty

UN United Nations

UK United Kingdom

USA United States of America

USD US dollar

WNA World Nuclear Association

WGI Worldwide Governance Indicators

WTO World Trade Organization

Contents

1 Introduction

China and Russia are two countries on the quest to regain what they consider to be their rightful positions in the world. Both have lost their great-power status, in the case of China as a result of Western imperialism and Japanese intervention, and for Russia with the fall of the Soviet empire. For a long time China and Russia were bitter enemies but changes in the outside world brought them together in the early 1990s, and in 1996 a strategic partnership was established.

To strengthen their positions in the world both China and Russia have attempted to reform their economies. But where China has been successful, Russia has failed. The economic reforms after the collapse of the Soviet Union produced results in the form of high growth rates in the 2000s, but since then growth has slowed down markedly in the 2010s. In 2014 Russia chose to use its military strength against Ukraine, which has had further negative consequences for its economy. China, in contrast, is disinclined to behaviours that could negatively affect domestic economic growth or the prolongation or the survival of the regime. This constitutes an effective barrier to its following the Russian example.

Developments in their external environment have kept China and Russia together over the years. Their relationship is a fluid alliance of two dissatisfied powers, which allows for cooperation in certain areas, but also for divergent views. The relationship has elements of both competition and distrust. The two countries are divided as to relations with the United States as it is the key economic counterpart and therefore the most important cooperation partner for China, while US–Russia relations remain strained, even confrontational in some areas. All in all, this makes the foundation of the relationship porous and impedes closer forms of cooperation.

China and Russia share a geopolitical world view[1] and a preference for a multipolar world order. They are two powerful nations that are the heirs of great powers. How their relationship evolves and how they understand their positions in the international system are questions that are vital for the development of the international system. The purpose of this report is to analyse the relationship between them from a political as well as economic perspective and also to compare how the two countries perceive themselves and their role in the world. First we investigate the nature of the Sino-Russian relationship and the common interests and areas of divergence as manifested in the strategic partnership

[1] This is a view that is shared by the authors based on their long-standing study of the two countries and their policies. It refers to the preservation of geopolitical space, the projection of power and the dominance of power relations. The assessment that China and Russia share a geopolitical world view is strongly supported by international scholars such as Bobo Lo (2008: 176) who states that "In common for China and Russia is a geopolitical world-view" and that "geopolitics retains its central importance in the world-view of both leaderships" (ibid.).

established in 1996 after decades of hostility. Then the characteristics of the foreign policy of the two countries are analysed and compared. The economies of China and Russia are explored in a comparative perspective and their economic interdependency is examined. As examples of how China and Russia cooperate and compete, their ambitions and behaviour in two key areas where their interests meet – in Central Asia and in Asia-Pacific – are explored. Finally, the impact of the crisis in Ukraine in 2014 on Sino-Russian relations and their respective foreign policies is discussed. The report reflects throughout the role of the United States as a competitor as well as a partner to both countries. This said, the report does not cover bilateral relations with other countries or China and Russia's positions on the global arena more generally.

The report was initiated and planned in the autumn of 2013, before Russia's aggression towards Ukraine, an event that changed Russia's position in global politics generally. Most of the work was carried out during April–October 2014, and the team has attempted to include the effects of the events in Ukraine and the changing conditions in the analysis at least partially. The report is mainly based on English-language sources, with the addition of international statistical sources and primary Chinese and Russian sources in the foreign policy sections. Study visits to Moscow and Beijing were conducted in April and October 2014, respectively. The interviews with Chinese and Russian specialists have given highly valuable contributions to the analysis. A list of the institutes visited is found at the end of the report.

2 The Sino-Russian relationship

External events brought China and Russia together in the 1990s and developments beyond their borders have kept them together over the years. They have chosen to label their relationship as a strategic partnership. It does, however, contain not only cooperation but also elements of competition and distrust. This section explores why the strategic partnership came into being and what it entails. It attempts to answer the question how China and Russia perceive each other, what unites and what separates them.

2.1 The rapprochement

In the mid-1990s China and Russia had reached a point where enough trust had developed and their interests had started to converge (Wilhelmsen and Flikke 2011: 871). Both countries experienced a change in their geopolitical and security environment which contributed to a rapprochement. Former republics of the Soviet Union and members of the Warsaw Pact were looking for membership in NATO and the EU (Nojonen 2011: 14). The initial Russian pro-Western foreign policy was followed by one focused on balancing the United States. Russia, seeking to diversify its relations, turned eastwards to find an ally in this endeavour. China, on the other hand, was emerging as an economic power and saw a need to limit the influence of the United States, which was continuing to increase its presence in the Pacific Ocean (Wilhelmsen and Flikke 2011: 871). There was also a growing realisation in Beijing that the Chinese Armed Forces needed to be modernised, a conclusion based on observations of the armaments systems operated by the United States in the first Iraq war. Due to the events on Tiananmen Square in 1989 and the subsequent arms embargo, Russia was one of the few available suppliers of advanced equipment systems (Nojonen 2011: 14).[2] All in all, this led China and Russia to look at each other with different eyes and to establish a strategic partnership in 1996.

In the years after the creation of the strategic partnership little happened. The decision to side with the United States in the "war on terror" in the aftermath of 11 September 2001 reduced the Russian interest in the relationship with China. For China, it came as a shock when Russia allowed the United States access to bases in Central Asia. There was a concern in China that the Russian foreign policy reorientation would be permanent. Russia, however, soon came under the impression that its contribution in fighting international terrorism was not appreciated by Washington to the extent that Russia had anticipated, and

[2] See also Hellström (2009) *EUs vapenembargo mot Kina ur ett svenskt perspektiv* [A Swedish perspective on the EU's arms embargo on China] for more information on the arms embargo on China.

President Putin quickly mended the relationship with China (Kuchins 2010: 40–41).

Events on the international arena brought China and Russia closer together during the following years. The United States' invasion of Iraq in 2003 without a UN Security Council resolution and the rhetoric on the "axis of evil" regarding countries such as Iraq, Iran and North Korea once again confirmed for both China and Russia the existence of a unipolar world order, which they both dislike. The ambition of the United States to spread democracy further contributed to unite China and Russia, as they perceived it as a way to increase the United States' influence by installing friendly regimes. In official rhetoric China and Russia shared the view that all countries have the right to decide their own political system. Furthermore they believed that the ideal in their countries was an authoritarian system and a market economy with a high degree of state intervention (Mankoff 2012: 192–193).

The rapprochement between China and Russia made it possible to address the sensitive issue of border demarcation (Nojonen 2011: 14). It was resolved with a treaty regarding the majority of the territorial disputes in 2004 and a final agreement in 2008. In the same year an agreement to build the East Siberian Oil Pipeline (ESPO) through Siberia to the Chinese border was signed (Wilhelmsen and Flikke 2011: 872).

The Russian war with Georgia in 2008 put a strain on the relationship. The Russian actions went against two principles that are important for China, non-interference in other countries' domestic affairs and territorial integrity. They also touched upon the Chinese fear of separatism, which is a sensitive issue in particular with regard to Tibet, Xinjiang and Taiwan. China's reaction was, therefore, very hesitant and it did not recognise South Ossetia and Abkhazia as independent states (Mankoff 2012: 243, 273). Since 2012, however, relations have improved considerably with a new senior leadership in Beijing. By the end of 2014 President Xi and President Putin had met ten times. This rapprochement has been facilitated by the personal chemistry between the two leaders (Interview with Chinese scholar, Beijing 2014).

2.2 Common interests

The fact that China and Russia have chosen to call their relationship a strategic partnership should not give rise to too high expectations as to the contents of the cooperation or the aspirations of the parties. China has strategic partnerships with many other countries, among others those in Central Asia and Denmark. In the case of China and Russia the formation of the strategic partnership was a milestone after decades of hostility. It was a way to deal with a big neighbour in whom there was a lack of trust and who could become a possible adversary. The strategic partnership does not signify that China and Russia now completely trust

each other or that they exclude the possibility that they could be adversaries in a future conflict. Instead China and Russia have what the Russian leadership sometimes labels a pragmatic approach towards the bilateral relationship, signalling that both have realistic expectations and an understanding of the limits to the relationship. It is a fluid alliance, which enables cooperation on certain issues, but also allows divergent views.

China and Russia have a geopolitical world view in common (Lo 2008: 176). Both have the ambition to improve their positions on the international arena and to limit the influence of the United States on the global level as well as the regional level, in Central Asia and in the Asia-Pacific region (Rozman 2010: 19). They promote the idea of a world dominated by a limited number of great powers, a multipolar world order, where the actions of the great powers are determined by their national interests and the maintenance of their sovereignty (Mankoff 2012: 182–183). They also emphasise the role of the UN, international law, non-interference in a country's internal affairs and the right of nations to seek their own path to development (Joint Statement 2005; 2008). It should, however, be noted that China and Russia often see ideas as instruments to use in the pursuit of national interests (Lo 2008: 175), and their true commitment to (for example) international law can be called into question.

The Chinese and Russian views of the world partly diverge as a consequence of China being a larger economy and more integrated in the world economy, and the Russian tendency to focus on geopolitics and great-power status (Mankoff 2012: 184). Since the 1990s China has developed ties with numerous important countries, among them some in the West, which are eager to keep good relations with China (Lo 2008: 46–47). Hence China has other options than Russia, which is in a quite different situation characterised by fewer friends and a limited attractiveness as a partner. The relationship with China is, therefore, of greater importance to Russia than the other way around.

2.3 Areas of cooperation

The Treaty for Good Neighbourliness, Friendship and Cooperation from 2001 constitutes a basis for the strategic partnership. It stipulates non-aggression and the absence of territorial claims between the parties and prohibits China and Russia acting in a way or entering an agreement with a third party that would harm the sovereignty, security and territorial integrity of the other signatory (Treaty 2001: §1, 2, 6, 8). The treaty lays down a number of areas of cooperation such as trade, armaments, science, energy, nuclear energy and space, but also cooperation against terrorism, separatism, extremism, organised crime and narcotics (ibid.: §16, 20).

In practice, the Sino-Russian cooperation centres around energy, armaments, the common border, the UN Security Council and the development of the Russian

Far East. As a consequence of China's economic growth its influence over the agenda has increased during recent years. There are signs that China is trying to refocus the partnership to the economic sphere in order to gain better access to Russia's natural resources (Kaczmarski 2012: 5). For Russia many of the areas of cooperation are associated not only with gains for itself but also with concerns. In the energy field, there is on the one hand a Russian interest in diversifying its energy relations and increasing its exports to China. On the other hand, Russia fears of becoming nothing more than an energy supplier to an increasingly stronger China (Downs 2010: 147, 164). Both China and Russia are interested in a stable border and from the Russian perspective in securing the Russian Far East (Lo 2008: 44). Russia experiences a weakness in this regard towards China, as that region has a low population density and is economically underdeveloped, whereas the situation is quite the opposite on the Chinese side of the border. Russia has, as a result, been hesitant about expanding cross-border cooperation (see further section 4).

There is a certain degree of mistrust in the relationship, which is a result of the uncertainty for each regarding the true intentions of the other part and the rivalry between the two parties in Central Asia, as well as the Russian concern about China as a potential threat there and in the Russian Far East (Jakobson et al. 2011: 11; Lo 2008: 177). Hence the strategic partnership offers Russia an opportunity to keep an eye on and engage with a possible future enemy (Lo 2008: 45).

2.4 The view of the other

To Russia, China is an important element in its conducting a foreign policy with geopolitical elements, which includes the ambition to counterbalance the West and to be acknowledged as a great power (Lo 2008: 47). Since the most important relationship for Russia is that with the United States, its interest in closer relations with China depends on the current status of the ties with the United States (Mankoff 2012: 183). Russia acknowledges China's rise, but still sees itself as an equal to China. It has difficulty seeing itself as a junior partner to a country it has long considered to be inferior (Lo 2008: 45). Despite some concern, however, Russia sees great potential in the relationship with China, as its rise will make it an even more valuable partner in the geopolitical game. Russia expects that international politics will in the future be dominated by two countries, the United States and China, which will balance and contain each other with the help of smaller actors, such as major European countries, India and Brazil. In this new setting Russia aspires to be a third big player on the international arena. To achieve this, Russia cannot be too dependent on China and, therefore, at least before the annexation of Crimea was anxious not to let relations with the West deteriorate too much (Lo 2008: 43–44, 98).

China considers Russia to be a suitable partner as it does not criticise the Chinese political system. China finds it easier to cooperate with Russia than it did with the Soviet Union since Russia is a smaller player. China prefers to be the larger player in any relationship so that it is clear who is in charge. Somewhat paradoxically, the relationship with Russia benefits from the fact that the Chinese leaders understand and respect the "underdog" situation that Russia currently finds itself in. It has similarities with China's own experience of struggling to regain its rightful position after what it considers to be a historical anomaly during what is called a century of humiliation.[3] For China the strategic partnership offers a way to show peaceful intentions and to minimise costs, avoiding a third front on its northern border (and possibly on the north-western border as well through Central Asian proxies). Furthermore, the Chinese interest in the strategic partnership rests on two main pillars: counteracting the United States' increasing influence in Asia (in Asia-Pacific and to some extent in Central Asia); and the opportunity to procure advanced military weapons and equipment from Russia. This is important since it results in important technology transfers from Russia to China.[4]

The relationship with Russia is subordinated to two overarching goals in Chinese foreign policy (see e.g. Ferdinand 2011: 25–26). The first is to maintain a stable regional environment so that the economy can continue to grow. The second is to manage its "peaceful rise" so that it does not cause confrontation with existing major powers, which can put obstacles in the way of China's development. As a result, China looks to Russia for a stable regional environment, but the focal point of Chinese foreign policy is, as for Russia, the United States. Consequently, other partnerships are of secondary importance.

The fact that China is an important creditor to the United States constitutes a bond between the countries and means that both parties will aim for continued good relations. Russia lacks this type of connection with the United States (Mankoff 2012: 183). Moscow is aware that China's most important cooperative relationship is that with the United States and finds this fact troublesome (Nojonen 2011: 16). China is not willing to allow the relationship with Russia to affect its important ties with the United States (Lo 2008: 46). It is not, therefore, willing to commit to Moscow's assertive foreign policy towards former Soviet republics and the West, in particular towards the United States, as it wants to keep more options open (Nojonen 2011: 16; Lo 2008: 179).

[3] A century of humiliation refers to the period of intervention and imperialism by Western powers and Japan in China between 1839 and 1949.

[4] This fact was emphasised during interviews at both the National Defence University and the Academy of Military Science in Beijing. During interviews with senior Chinese academics and officers in Beijing in October 2014 it was not only the importance of getting access to the advanced weapons themselves that was emphasised, but also the transfer of technology. The authors got the impression that the underlying logic is that China will want to cooperate with Russia for as long as there is still technological know-how to obtain from Russia.

In conclusion, although the relationship between China and Russia has developed over the years a more formalized alliance is unlikely. Contributing to this conclusion is the nature of the Sino-Russian relationship: it is riddled with competition and distrust. Only on certain issues does cooperation exist.

3 Russian and Chinese foreign policy

China and Russia devise their foreign policies so as to strengthen their position in the world. Although they share the experience of the loss of an empire and great-power status their foreign policy goals are quite different. For China the primary goal is domestic political stability to ensure regime survival, whereas for Russia it is to be a great power. This creates different foreign policy behaviours and has yielded them different positions in the world. This section analyses China's and Russia's foreign policies and their fundamental ideas, goals and priorities in order to put the relationship into a broader perspective.

3.1 Russian foreign policy

Since the dissolution of the Soviet Union Russia has tried to define its place in the world. It had experienced the fall of an empire, the end of bipolarity, and the collapse of an economic system, and, as a result, the loss of international status and identity. Seeing itself as the heir of the Soviet Union, Russia's foreign policy efforts have been concentrated on regaining what has been lost.

Understanding Russian foreign policy

Geopolitical thinking to a great extent affects how Russia views the world and as a result how Moscow pursues its foreign policy. This way of perceiving the world has been a constant element in Russian foreign policy for a long time, including under tsarist and communist rule (Lo 2002: 101). In Russia's view, the world is dominated by a number of strong countries balancing each other. Russia regards itself as a great power, and considers the unipolar world order, i.e. the dominance of the United States since the end of the Cold War, as contrary to Russian national interests (Foreign Policy Concept 2013; National Security Strategy 2009: §10, §21). Russia thus aims at being an alternative on the international arena, and has in this regard sought to forge strong ties with other countries, a multi-vector approach (Foreign Policy Concept 2013). Here the relationship with China is of vital importance (Wilhelmsen and Flikke 2011: 871).

A great power, in this line of thinking, is the primary player in a geographical space adjacent to its own territory, where it has its own sphere of influence (Lo 2002: 114–115). Russia considers its sphere of influence to be the countries within the Commonwealth of Independent States (CIS)[5], and Georgia and Ukraine (Foreign Policy Concept 2013). Russia sees any influence the West

[5] The CIS includes besides Russia Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan.

gains in Russia's perceived sphere of influence as a loss of influence for itself. This is a form of zero-sum mentality where for every winner there is a loser. As Russian foreign policy centres to a great extent on the relationship with the United States Russia sees it in a zero-sum perspective. This has also shaped the Russian view on NATO enlargement, Iraq, Kosovo and missile defence (Lo 2002: 103–104).

Russia declares itself to be a champion of multilateralism, but views it purely as a tool to achieve its foreign policy goals and has not always been eager to commit itself to the principles of multilateralism in circumstances when it has been the primary player (Lo 2002: 88). The UN Security Council is given the prominent position as the primary decision-making body in international affairs (Foreign Policy Concept 2013). The UN Security Council is one of the few forums where Russia through its veto right is on equal terms with the United States and can stop its initiatives (Lo 2002: 87–88). In this way it is an instrument for Russia to reduce the United States' influence as well as to be perceived as a relevant counterpart and a great power. Consequently, Russia strongly disapproves of countries circumventing the UN Security Council (Foreign Policy Concept 2000; 2008; 2013), which the United States and its allies have done in the past, in for example the case of Iraq. One important element of the relationship with China is cooperation in the Security Council (Kaczmarski 2012: 5). Russia also attaches importance to multilateral organisations and mechanisms for cooperation such as the G8, the G20, BRIC(S)[6] and RIC[7] (ibid. 2013), as the members of these are seen as equals. Neither the United States nor Europe has a dominant position in these organisations and the collaboration does not limit Russia's sovereignty over its domestic affairs (Mankoff 2012: 19). Exceptional times, such as the year 2014, have proved that the exclusion of Russia from the G8 is something the country can live with. Hence there are objectives far more important to Russia than multilateral collaboration.

Russian foreign policy objectives

The objectives in the Foreign Policy Concept 2013 reflect Russia's ambition to strengthen its position on the international arena and to be a great power (hence the importance Russia accords to the UN). The Foreign Policy Concept also spells out Russia's goal to create a place for itself in the world on its own terms. Russia's sincere commitment to some of the objectives, such as democracy and human rights, will always be subordinated to these overarching goals, which the Russian actions in Ukraine in 2014 highlight. The commitment to developing good relations with neighbouring countries and contributing to international

[6] Brazil, Russia, India, China (South Africa).
[7] Russia, India, China.

peace, as well as the principle of non-interference in another country's domestic affairs, is also brushed aside if they come into conflict with Russia's main goals (Foreign Policy Concept 2013: §4, 28).

Table 3.1 Russian foreign policy objectives in 2013

a) To promote national security, to strengthen sovereignty, territorial integrity and the position in the international community as one of the most influential powers
b) To strengthen international peace, common security and stability. To establish an international system, based on a collective approach to problem solving, the supremacy of international law, first and foremost the UN Charter, and equal partnership between nations under the auspices of the UN as the primary organisation for governing international relations
c) To promote economic growth, technological modernisation and innovation, to improve the living conditions
d) To strengthen the rule of law, democratic institutions and human rights
e) To develop good relations with the countries bordering to Russia to cooperate in quenching existing and arising hot spots and conflicts
f) To develop fair and equal partnerships with countries and international organisations based on respect for independence and sovereignty as well as on pragmatism, transparency, multi-vector approach, predictability and non-confrontation. To develop flexible non-aligned alliances, in which Russia plays an active role
g) To strengthen international trade and promote economic interests abroad. To prevent discrimination of Russian products, services and investments
h) To protect the interests and legal rights of citizens and compatriots living outside Russia
i) To strengthen the position of the Russian language abroad
j) To strengthen the dialogue and partnership between civilisations in order to create an understanding of different cultures and religions

Source: Foreign policy concept 2013: §4

Russia sees the surrounding world as unstable and unpredictable (Foreign Policy Concept 2013: §5), a view also reflected in its military thinking, where dangers and threats are seen as coming from all directions. It considers the current international system, signified by the political and economic dominance of the

West, to be in decline due to the global financial crises, and about to be replaced by a multipolar system, where the Asia-Pacific region will have a strong position. This shift can cause instabilities, which Russia dislikes, but also provides it with an opportunity to advance its position on the world arena (Monaghan 2008: 728; Foreign Policy Concept 2013: §6; Lavrov 2014c).

Russian foreign policy mainly rests on two pillars: membership of the UN Security Council and nuclear deterrence. The energy instrument is also vital in conducting the foreign policy (Persson 2013: 78). Russia's ambition is to increase its influence on the international arena by conducting what it labels "a pragmatic foreign policy" and by using "multi-vector diplomacy", that is to build ties with other major countries and to balance them against the United States or against one another when necessary (National Security Strategy 2009: §9). A distinctive trait in Russian foreign policy is the use of ideas to legitimise the pursuit of its interests (Lo 2008: 175). In line with this, Russia often emphasises international law, as it reinforces the importance of sovereignty and national defence, but also uses it as a foreign policy tool when convenient (Finnish Ministry of Defence 2013: 15).

Russia is pursuing the policy of "strategic solitude" (Persson 2013: 80). It has an anti-Western stance and a focus on the Russian national interest in international relations. The national interests include being a great power with its own sphere of influence and the rest of the world to acknowledge this. Russia, however, still wants to cooperate with other countries, such as China, Brazil and India (National Security Strategy 2009: 21).

The foreign policy is, furthermore, to a great extent determined by domestic factors, in terms of economic and political development. The anti-regime demonstrations in 2011–2012 came as a shock to the leadership and the political system has since then become increasingly authoritarian, which, in turn, has limited the room for manoeuvre in foreign policy (Persson and Vendil Pallin 2014: 27). In order to stay in power Putin has chosen to conduct policies that appeal to broad layers of the population which have conservative and sometimes nationalistic values (Laruelle 2013). The policy emphasises patriotism, the Armed Forces and the Orthodox Church as well as the Russian people and language. It points to the West and particular the United States as the opponent. The Russian leadership gives an image of a Russia which, apart from its partners in the CIS countries, is alone in a hostile world. Whether or not the leadership really does perceive the world in this way or whether this is for domestic consumption is debated. The result is, however, that it creates expectations and constraints on the foreign policy (Persson 2014).

Decision making in Russian foreign policy

In Russia the president has a strong position in foreign and security policy-making as the ministries and the intelligence and security services in this sphere[8] report directly to him and not to the prime minister. The president decides the basic objectives of the foreign policy, directs it, represents the country in international relations and signs international treaties and agreements (Constitution 1993: §80.4; §86a). The president depends on a number of institutions for information, advice and the execution of the foreign policy.

In the Presidential Administration key players in the foreign policy sphere are probably one of the two first deputy heads of the administration, Aleksei Gromov, and the presidential aide (*pomoshchnik Prezidenta*), Iurii Ushakov, who both have a background from the Ministry for Foreign Affairs (MFA). There is, furthermore, a Directorate for Foreign Affairs, designed to support the president in executing his powers in this area. The Presidential Administration, however, depends on the MFA for certain analytical expertise and for managing Russia's representations abroad. The MFA still plays an important role, but due to the design of the system has only limited influence over many foreign policy decisions and is more focused on implementation (Anderman et al. 2007: 18, 22). It can, however, be assumed that the minister of foreign affairs, Sergei Lavrov, being one of the most senior members of the government, has a certain influence over foreign policy decisions.

The Security Council is a consultative organ to the president on security policy matters. The president chairs the sessions and appoints the members of the council. The importance of the Security Council is illustrated by the fact that this is where the basic objectives of foreign policy are discussed as well as how it should be implemented. The Security Council also coordinates the work on doctrinal documents, such as the foreign policy concepts and the National Security Strategy (Statute of the Security Council 2011: §3d, §4d, §6; Persson 2013: 73). The actual weight of the Security Council has, however, varied over the years depending on the role the president has assigned to it.

In the parliament, the State Duma formally has a role in approving international treaties and the Federation Council authorises the use of Russian troops abroad (Constitution 1993: 102d, 106d). The parliament could play a greater role in scrutinising foreign policy through its committees, but is in practice as passive as it is loyal to the regime. Other actors exert an informal and indirect influence over foreign policy decision making. Two of the more prominent such actors are probably the large energy companies and the security services, including the military leadership. The dependence of the Russian economy on the revenues

[8] Ministry of Foreign Affairs, Ministry of Internal Affairs, Ministry of Defence, Foreign Intelligence Service and Federal Security Service (FSB).

from oil and gas as well as the blurred boundaries between the state and some companies makes it likely that, for example, Gazprom is able from time to time to exert influence over certain foreign policy decisions (Mankoff 2012: 56–57; Sakwa 2008: 374).

Prioritised relations in Russian foreign policy

Russian foreign policy is primarily centred on bilateral relations with larger countries such as the United States, China and India (Mankoff 2012: 19), as Russia has the ambition to pursue a foreign policy with a multi-vector approach. The CIS countries, constituting a part of what Russia considers to be its sphere of influence, are given a prominent place in official policy documents. Russia has the ambition to enhance cooperation through trade, the creation of the Eurasian Union and the strengthening of the Collective Security Treaty Organization (CSTO) (Foreign Policy Concept 2000; 2008; 2013).

Despite the importance given to the CIS countries, the relationship with the West remains the most significant to Russia, although it has a somewhat ambiguous approach towards it. Russian foreign policy is centred on the relationship with the United States and the current status of this relationship affects Russia's actions on the world arena and how it prioritises ties with other countries (Mankoff 2012: 92–93, 183). Russia wants to be acknowledged by the United States as a great power and a partner. The fact that the United States only sees Russia as a regional power and has expressed non-acceptance of Russian supremacy in what Russia considers to be its sphere of influence constitutes a fundamental problem in their relationship. According to the Russian view the United States has neglected the Russian contributions in "the war on terror" and ignores the Russian claim for a position in international affairs and interferes in Russia's sphere of influence (Donaldson and Nogee 2009: 373–375). Russia disapproves of the United States' dominance on the international arena and criticises the United States for disregarding international law, first and foremost the UN Charter, and the principle of non-interference in a country's internal affairs (Foreign Policy Concept 2000; 2008; 2013: §71).

According to the Russian view NATO is dominated by the United States and is a tool for the United States' international ambitions. Russia's discontent with NATO concerns the expansion of the alliance to include states which are former allies, part of the former Soviet space or part of the Russian sphere of influence. This expansion is contrary to Russia's goal of a multipolar world order and renders it more difficult for Russia to restore its position as a great power and exert influence in the CIS countries (Finnish Ministry of Defence 2013: 19). Another Russian concern with regard to NATO is missile defence, as it could affect the function of the Russian nuclear deterrent and, hence, one of its main preconditions for being a great power (Donaldson and Nogee 2009: 370). The decision by the United States in 2013 to partly abandon its missile defence plans,

thereby reducing its potential future capability, has not changed the Russian position (Persson 2013: 75). Despite these grievances, Russia stated in 2009 that it wishes to develop stronger ties with the alliance (National Security Strategy 2009: 17), but this ambition has subsided since then (Monaghan 2013: 4). Russia officially also voices the ambition to deepen its relations with the EU (Foreign Policy Concept 2000, 2008, 2013), but prefers to focus on bilateral relations with the larger member states.

Russian foreign policy from 2000 and onwards

After being elected president in 2000, Putin initially pursued a very cautious and pragmatic foreign policy, carefully balancing the relationship with the West (Donaldson and Nogee 2009: 340). He acknowledged that Russia, in order to occupy what it considered its rightful place in the world, had to be able to back it with economic strength. Putin, therefore, sought to rebuild the domestic economy. This was complemented with a more active diplomacy (Sakwa 2008: 372). In Putin's view, Russian interests were best promoted by cooperation with the West, in particular the United States, in fields where both parties experienced challenges. After 11 September 2001 Russia, therefore, sided with the United States in fighting international terrorism. Influencing the decision was the concern for the spread of radical Islam, which Russia considered to be the reason for the situation in Chechnya, as well as developments in Afghanistan. Soon, however, Russia concluded that the gains from the cooperation did not meet its expectations and therefore sought to diversify its foreign relations, among other things through closer ties with China (Thorun 2009: 36–37, 43; Donaldson and Nogee 2009: 347–348).

From 2004 and onwards Russia's foreign policy became more independent and assertive. Russia experienced strong economic growth due to the reforms conducted in the 1990s and a high oil price in the 2000s, and became, as a result, less reliant on the West. The foreign policy aimed at winning acknowledgement as a great power and an equal to the United States. A good deal of the assertive foreign policy rhetoric was, however, not targeted at the West but was for domestic consumption. The Russian elite still believed that there was more to lose than to gain from a confrontation with the West (Monaghan 2008: 728). The relationship with the West was, however, not developing to Russia's liking. The United States' actions on the international arena were perceived as provocative, and in some cases humiliating, for example regarding the war in the former Yugoslavia, the unilateral United States' annulment of the ABM (Anti-Ballistic Missile) Treaty, NATO enlargement and missile defence (Donaldson and Nogee 2009: 361, 373–374). The "colour" revolutions in countries which Russia considers to be part of its sphere of influence, Georgia, Kyrgyzstan and Ukraine, during 2003–2005, were interpreted as a result of Western support for opposition movements hostile towards the pro-Russian regimes. This support was seen as an

attempt by the United States to expand its influence and encircle Russia, and to undermine Russia's return to great-power status (Sakwa 2008: 383; Monaghan 2008: 719). In response Russia chose to cultivate its relationship with China.

The speech delivered by President Putin at the Munich Security Conference in 2007 (Putin 2007) came as an eye-opener to many in the West. It contained issues repeatedly voiced by Russia, such as opposition to NATO enlargement, a unipolar world order and the dominance of the United States but reflected an increased confidence and a more confrontational approach. The speech marked a change, which meant that Russia instead of passively complaining about the lack of respect for its interests was seeking to protect and even project these interests (Monaghan 2008: 719–720). Putin suggested a revision of "the global security architecture", as a way of addressing what Russia views as a post-Cold War period of instability, the challenges of which the institutions designed after World War II are increasingly unable to address (Monaghan 2008: 728–729; Putin 2014a).

By 2008 Russia had improved its position on the international arena, largely thanks to a period of strong economic growth since 1999, and was confident of having recovered its great-power status. Again, a number of international issues did not develop according to Russia's wishes and it felt that the West was riding roughshod over it, for example regarding the independence of Kosovo and missile defence, but above all with regard to the United States' ambition to offer Georgia and Ukraine NATO membership action plan (MAP) status[9] – an offer that never materialised (Donaldson and Nogee 2009: 374–375). As before Russia saw this as an attempt by the West to reduce Russia's power in its sphere of influence, and Sergei Lavrov noted that NATO membership for Georgia and Ukraine would constitute a "substantial negative geopolitical shift" for Russia (Monaghan 2008: 725). The subsequent war with Georgia can be seen as a clear signal to the West and other CIS countries, an attempt to demonstrate Russia's status as a great power and wish to be acknowledged as one by the rest of the world (Donaldson and Nogee 2009: 375).

The reset policy launched by the United States in 2009 was successful in some areas: for example, the Northern Distribution Network, which allowed the transport of goods to and from Afghanistan through Russia, was established in 2009 and the new Strategic Arms Reduction Treaty (START) was signed in 2010. But on the whole the policy failed to invigorate the relationship between Russia and the United States. The United States adopted the Magnitskii Act, targeted at Russian officials suspected to be involved in the death of the lawyer Sergei Magnitskii. Russia responded by enacting a law preventing American couples from adopting children from Russia (Winnerstig et al. 2014: 59–60). As a consequence of developments in the Middle East, Russia was able to play an

[9] A road map to becoming a NATO member.

important role in cooperating with the United States and Europe concerning the use of chemical weapons in Syria and in the talks with Iran on its nuclear programme in 2013 (e.g. Lavrov 2013a, 2013b). The Russian annexation of Crimea and destabilisation of Ukraine in 2014, however, led to a further deterioration of relations with the West (These events and the changes in Russian foreign policy are discussed in detail in section 7).

3.2 Chinese foreign policy

During the last four decades, China has gradually emerged from relative isolation to become one of the world's major powers and is soon to be the largest economy in the world. Being at the epicentre of a global power shift from "the West" to "the East", and from "the North" to "the South", it gives great attention to its external affairs, including its foreign policy goals and behaviour. To accurately understand China's external affairs, there is a need to grasp the bigger picture and how Chinese foreign policy decision making works.

Understanding Chinese foreign policy

Since the foundation of the People's Republic of China (PRC) in 1949 the Communist Party of China (CCP) has sought to regain the country's international status of being a great nation which were lost after what the Chinese perceive as a "century of humiliation", when external powers dominated the region. However, despite three decades of development, China still displays a dual identity of superiority and inferiority – which also can be seen in its foreign policy. On the one hand, China has the mentality of being superior, being the "Middle Kingdom" with the natural right to rule the world. At the same time, it displays insecurity and weakness, pressured by threats from within as well as from the outside.

Chinese foreign policy thinking is closely linked to the Chinese self-perception. At the core is the perception of identity – the way in which Chinese scholars, academics and policy makers are thinking about China. Since China lost its centrality in Asia, declining from being the centre of power to whom others paid tribute to becoming a semi-colonial country in the mid-19th century, the question of Chinese national identity and in what direction it should evolve has been a constant theme – who am I? How should I evolve? (Zhu 2010: 19). This has given rise to debates about what kind of power China is to be and what international role it should seek.

Looking beyond the superiority-inferiority dualism, China's rise has gone hand in hand with a confusing multitude of overlapping ideas about what China is and should be. Simultaneously China is a developing state, a (re-)emerging power and a global power (Wei and Fu 2011). To this should be added its role as a

regional power (Breslin 2009, 2013). These multiple personalities affect the ways in which China builds partnerships and alliances. As a developing country it shares experiences and concerns with other less developed states. Since the Cold War era China has seen itself as a leader in the Non-Aligned Movement and a champion of Third World interests. As an emerging power it seeks alliances and partnership with other dissatisfied large powers, most clearly seen in the BRIC(S). As a global power, being a permanent member of the UN Security Council and a member of the G20, China is in "direct institutional contact with the established powers as one of a small number of other states that wield, and share, both global power and global responsibility" (Breslin 2013: 617). Though the concept of G2 (China and the United States) is resisted in China itself, China is also seen by some as a quasi-superpower second in the global system only to the United States – a position that creates expectations (ibid.). Lastly, China is already a regional power, closely watched and a key focal point for its regional neighbours' foreign policy strategies and security concerns.

Gradually China has tried to become an insider rather than an outsider in the international community. For example China has internalised the task of creating an image of itself as a "responsible great power", or "responsible stakeholder" using the Western term, that neither threatens the interest of others nor challenges the existing global order, while facilitating continued regional and global economic prosperity. However, at the same time China does provide an alternative to the existing liberal international order (Breslin 2009: 822). Reiterating that, in contrast to the United States and the West, it does not have a normative agenda, nor does it seek to impose values and policies but rather demonstrates the utmost respect for state sovereignty. China offers "a democratic international order" as an alternative to the "unipolar hegemony of the Pax Americana" (ibid.: 825). This alternative is based on multilateralism with an emphasis on the role of the UN as global security guarantor, a commitment to the settling of disputes by consultation and dialogue as opposed to force and to global economic development with emphasis on the responsibility of the developed world to help developing states, and a "spirit of inclusiveness" where "all civilizations coexist harmoniously and accommodate each other" (Ding 2008: 197). This said, China's assessment is that the United States will remain the dominant power for some time to come; consequently it accepts that it needs to build fluid alliances based on issue areas rather than trying to construct different camps to fulfil its goals.

Chinese foreign policy objectives

Often China's foreign policy goals have been expressed in terms of different principles and slogans, such as the "Five Principles of Peaceful Coexistence", "Peaceful Rise/Development", and "Harmonious World". These in turn have formed a basis for foreign policy practices. It is important to note that implicit

but very important goals of the regime are also taken into account when forming foreign policy. This is examined further below.

Underpinning Chinese foreign policy for the last 60 years are the so-called "Five Principles of Peaceful Coexistence" (Agreement 1954). These are (1) mutual respect for each other's territorial integrity and sovereignty, (2) mutual non-aggression, (3) mutual non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence. In practical terms these principles have facilitated a foreign policy focusing on "good-neighbourly relations", aimed at preventing external instability that would adversely affect China's internal stability. Moreover, the principles are tailored to support a strict interpretation of non-interference in internal affairs, most importantly concerning Taiwan, Tibet and Xinjiang.

But, looking beyond principles, what in fact are China's foreign policy objectives? Officially they are defined as (1) domestic political stability; (2) sovereign security, territorial integrity and national unification; and (3) China's sustainable economic and social development (Jakobson 2013: 4). This is the outcome of a policy founded on the Five Principles of Peaceful Coexistence and driven by a number of "core interests". The main drivers behind the core interests are, to cite Timothy R. Heat (2012: 64), concerns "about externally derived threats to China's development and threats to China's access to overseas resources and goods upon which its economy is increasingly dependent".

The first three core interests are straightforward, being "National Sovereignty", "National Security" and "Territorial Integrity". However, China does tend to use a more strict interpretation of these concepts than most other states. It simply does not show the same flexibility in interpretation as many other countries, as can be seen in for example Russia's interpretation of territorial integrity and national sovereignty (most recently in Ukraine). The fourth core interest, "National Unification", is uniquely Chinese. China is a country where separation is seen as temporary anomaly while awaiting a return to the natural state of a unified China. The emphasis here is of course on the "renegade province" Taiwan. The belief in the unification of China has grown stronger, as Hong Kong and Macao have been returned; only Taiwan is missing. The last two core interests concern domestic issues. They are "China's Political System and Social Stability" and "The Basic Safeguard of Interests for Sustained Economic and Social Development".

The core interests are not set in stone, nor are they in practice as clear as they seem in the official documents. When we look behind the big headlines about core interests, the picture becomes messy as what is to be perceived as a core interest is disputed and debated within China. For example, it has been argued that sea lanes of communication are a core interest, which if accepted would have an impact on how China develops its naval capabilities as well as whether the United States' naval superiority in East Asia should be accepted. It has also been

argued that the Middle East is part of China's core interest, as energy from the area is essential to ensure long-term economic development in China.

"Core interest", as argued by Timothy R. Heath (2012: 64–66), is a concept that the Chinese leaders are likely to continue to expand and refine. Such moves have already been seen, with 2011 being the first time a government white paper explicitly listed China's "political system" and "national reunification" among its core interests, though Chinese officials had already mentioned them in other contexts. The 2011 Peaceful Development White Paper was also the first to refine the concept of "developmental interests", specifying that China seeks to "safeguard" the "sustainability" of this kind of interest, as opposed to merely securing the resources themselves.

Chinese foreign policy in practice

China has been keen to learn from the experiences of previous great powers and the legacy of its own glorious past. In the foreign policy context it is trying to reach out to other countries, emphasising the mutual benefits of doing things together. In this way it tries to be different from the Western security governance practices of "do as I say, not as I do" (Kavalski 2012: 6). China here puts particular emphasis on its own experiences of modernisation, as a successful late-developing country, a possible model for others (Spakowski 2009: 489-90). Of course this has attractions in many places, in particular in the global South and in non-liberal and non-democratic states or countries with a colonial past.

Chinese foreign policy is embedded in domestic issues. In fact, the foremost foreign policy objective in China is to ensure domestic political stability. The ultimate goal is to ensure the survival of one-party rule and the socialist system, which in turn is dependent on political stability. Domestic political stability and regime survival are both dependent on a combination of two factors: continuing domestic economic growth and nationalism. Nationalism here has replaced political ideology to legitimise authoritarian one-party rule, as political ideology has lost much of its credibility as a way to legitimise the state of affairs.

There is a direct link between economic growth and nationalism. Economic growth works as a way to satisfy nationalist sentiments rather than pursuing overly aggressive nationalist policies in for example the South China Sea or against Taiwan. Without growth, Beijing would have to consider contingencies such as occupying new islands in the South China Sea, or even to launch an invasion of Taiwan-held offshore islands such as Mazu or Jinmen, to keep its domestic audiences content. Thus, nationalism is useful, but dangerous. If it is not kept under control, China risks being drawn into direct conflict with its neighbours. This in turn would undermine economic growth. In short, it is a delicate balancing act.

Decision making in Chinese foreign policy

In official foreign policy making three actors stand out: the Communist Party of China, the State Council and the People's Liberation Army (PLA).[10] The former two have separate decision-making structures, though overlaps exist in function, authority and personnel. The party does have supreme authority. In addition to the party and government structures under the State Council, the PLA has always played and continues to play an important role in foreign policy making on security issues and other areas related to military affairs. However, foreign policy making goes beyond official structures, and a number of factors besides the official structures need to be taken into account.

One of the better and up-to-date conceptualisations of Chinese foreign policy decision making has been presented by David Shambaugh (2013: 61–72), who conceptualised the foreign policy process as consisting of five concentric circles – (1) senior leaders, (2) ministries, (3) intelligence bodies, (4) localities and corporations, and (5) society. Of the five circles, it is only the inner two that actually make foreign policy *decisions*. The other three *influence* these decisions.[11] The senior leadership includes the top leadership and the institutions with whom they interact. It should be noted that foreign policy is only a small part of their work. It has been estimated that international affairs take up a mere 10–15 per cent of the Politburo leaders' time. The second sphere includes a range of ministries and ministerial-level agencies, of which the Ministry of Foreign Affairs is the most important. This said, it should be emphasised that many Chinese academics and people related to the foreign ministry stress how weak the Ministry of Foreign Affairs is, noting that it has to coordinate with a great many other actors and that the Ministry of Commerce is a dominant actor. It is also noteworthy that the state councillor responsible for foreign affairs, Yang Jiechi, is not even a member of the Politburo.

The third sphere includes a range of intelligence bodies, institutes such as the China Institutes of Contemporary International Relations (CICIR), the China Institute of International Studies (CIIS), the PLA Academy of Military Science (AMS) and the Central Party School Institute of Strategic Studies, and key universities such as Peking, Renmin, Tsinghua, Fudan, and the China Foreign Affairs University. They contribute information, advice and intelligence to ministerial-level agencies. Sometimes they are also attached to such ministries, as in the case of the CICIR which is under the Ministry of State Security and the CIIS which is attached to the Ministry of Foreign Affairs. Localities and corporations consist of China's large state-owned enterprises with operations abroad, as well as provincial and municipal-level governments that make

[10] For a good overview of these three actors see e.g. Jakobson and Knox (2010: 4–16).

[11] The exception is corporations that make business decisions with actual impact abroad and have effects for foreign policy, though these are not actual foreign policy decisions.

autonomous decisions on a range of topics and issues. Fifth and last, individuals in society, such as members of think tanks expressing their views in the media and bloggers active on micro-media *(weibo)* and the internet, all try to influence foreign policy.

It should be emphasised that knowledge of the exact practice of the Chinese foreign policy decision-making process, and often even of its motivations, is limited. This said, some valuable research has been undertaken (see e.g. Barnett 1985; Jakobson and Knox 2010; Lampton 2001; Rozman 2013;). However, in more transparent countries, it can be unclear why processes leading to major decisions are initiated. This is even more so in China, where the governance process is very informal compared to the West. (Harris 2014: 26–27). Politics in China "should be thought of as an endless web of bureaucratic and political constituencies that compete and bargain for position and resources within a vertically organized Leninist system" (Shambaugh 2002: 36). It is also in this vertical system that, "unlike in democracies, political competition is waged ... within the CCP and government departments – rather than being open to the public" (Harris 2014: 26). Within this system personal power and relationships (*guanxi*), between individuals and towards a patron, are critical (Harris 2014). Exactly as argued by Jakobson and Knox (2010: 15–17), the policy-making process is consensus-driven and highly dependent on informal channels and allegiances.

Foreign policy decision-making under Xi Jinping

Xi Jinping has been responsible for major changes in the Chinese decision-making process, including foreign policy. Xi's leadership seems to be more centralised to the general secretary himself – a style very different from the "collective leadership" that the party had followed since Deng Xiaoping's leadership in the late 1970s. Rather than adhering to collective decision making, Xi has taken all power into his own hands, including over the Armed Forces.[12] In this context, it should be noted that he is leading a (for Chinese circumstances) unusually biased Politburo Standing Committee (PBSC), the top policy-making body in China, where six out of the seven seats are filled with officials belonging to his party faction. These six are all linked to the former CCP general secretary (1989–2002) Jiang Zemin who dominated the latest leadership transition despite having left all offices eight years ago (Dotson 2014). In contrast, Hu Jintao, the outgoing general secretary (2002–2012), was only able to secure one seat for his followers (ibid.).

Under Xi Jinping's leadership the role of the PLA and its influence in the foreign policy-making process have increased (Interview with Chinese scholar, Beijing

[12] This view was supported in an interview with a Chinese scholar in Beijing 2014.

2014). There are two reasons for this: Xi's experience from the PLA and the fact that more defence issues have reached the top of the agenda. His military experience also creates a strong informal link between the Armed Forces and the PBSC, where furthermore he is the only one with a military background. External pressure, not least the conflict with Japan over the Senkaku/Diaoyu Islands and that in the South China Sea, as well as cyber-attacks, strengthens the influence of the PLA by putting defence issues at the top of the agenda. Thus, there is more space for the Armed Forces, in a political situation where the person in charge has a personal interest in, and high ambitions for, the PLA.

Chinese foreign policy from 2000 and onwards

China is best understood as a partial power, being on the one hand a permanent member of the UN Security Council and a member of the G20, a key actor at international summits and so on, while at the same remaining reactive and passive in these venues (Shambaugh 2013: 45). However, Chinese diplomacy has remained very risk-averse and is still guided by narrow national interest. As far as possible China has stuck to the least controversial position, preferring not to make the first move but to wait for others to show their positions before deciding on its own. There are a number of exceptions to this principle when it comes to perceived narrow national interests. These are first and foremost Taiwan and other issues that may interfere with China's sovereignty (Tibet, Xinjiang and maritime territorial claims in the South and East China Sea), but also issues relating to human rights. Here China has instead been both very active and extremely vigilant.

China's engagement with the international community can be traced back to the late 1990s when China turned more attention outwards. At the forefront of this drive to modernise its foreign policy and once again becoming an active part of the international community can be characterised as a pursuit of "comprehensive power", acknowledging that a global power needs multidimensional strength. During the following decade, China's engagement with the international community boomed. This engagement included all spheres, ranging from the economic and socio-cultural to the military. China's "go out", "go global" strategy aimed at encouraging Chinese firms and other localities and organisations to expand abroad. The strategy picked up speed in the mid-2000s. The PLA started to engage internationally, including conducting several hundred exchanges each year.

Underlying China's foreign policy since 2000 is China's "new security concept" (NSC) (Bergsten 2008: chapters 5 and 10). Announced at the ASEAN Regional Forum in 1997, the NSC is a form of grand strategy pronouncing the overarching principles that are to guide foreign policy. It was a direct response to the expansion of NATO and the United States' attempts to strengthen its alliances and security cooperation in the world. It sets out to elaborate on China's

aspirations in the new post-Cold War order. Besides acknowledging adherence to the Five Principles of Peaceful Coexistence, it emphasises mutually beneficial economic cooperation, confidence building and the establishment of "strategic partnerships" not directed against a third country.

The new security concept set the stage for what has become the foremost emphasis of Chinese foreign policy: China's "peaceful rise".[13] The aim with this concept was to reassure the international community, in particular neighbouring countries, that China was a benign country and not a revisionist state that sought hegemony. Emphasis was put on arguing that China's rise is not a zero-sum game, but a win-win situation. The phrase was later reframed as "peaceful development", as the debate took a turn Beijing did not like; the word "rise" was put in focus in the debate rather than, as China would prefer, "peaceful". This was part of a wider debate on whether China was a threat or not.

Since 2000, China has maintained stable relations with the United States and Russia, while at the same time strengthening its relations with its neighbours in Asia as well as on its periphery. These efforts were extremely successful, with China building excellent ties – or at least better ties – with most of its Asian neighbours and peripheral countries. China also expanded its perspective, giving attention also to Africa, Latin America and Europe.

Similar to Russia, 2008 is a key year for Chinese foreign policy, but for other reasons. At the time it had already become a major player on the regional and global stage, having for several years been one of the world's fastest-growing economies and a major contributor to global economic growth. At this point the "global" financial crisis was severely affecting the United States and the West, while leaving China relatively unharmed. The Chinese economic success facilitated a renewed Chinese confidence in taking a more active and aggressive or combative stance on the international and regional stage. This more assertive stance has been accelerated by nationalistic pressure. Consequently, since 2009 the "assertive China discourse" has become a widespread narrative in the debate on Chinese foreign policy in the West.[14] Furthermore, in the case of Europe, the crisis has completed a mental shift in China. Put simply, in the mind of the Chinese Europe has lost its last credibility as a competitor to be the number two power in the world after the United States due to the crisis.

Since 2011 China has made attempts to regain the international trust that it lost in the years before. This has been a hard struggle. Not only does it take time to build trust, but attempts to do so have also been hampered by China's continuing

[13] In 2005 President Hu Jintao introduced another concept, "Harmonious World". However, this undefined slogan, meant to demonstrate the Chinese commitment to global peace and stability and the goal of a more just and equal international system, has not been a success.

[14] There has been considerable debate about whether Chinese foreign policy has in fact become more assertive (Jerdén 2014; Johnston 2013; Scobell and Harold 2013).

insistence on pursuing its claims in the South and East China seas. In addition, relations with the United States were strained by China's active opposition to the renewed interest of the United States in, and military rebalancing to, Asia.

However, attempts to counteract the "assertive China discourse" have not been helped by the development of a parallel narrative in China, arguing that China has moved from a "keeping a low profile" strategy to adopting one of "striving for achievements" (Qin 2014). This has been part of a heated debate between two foreign policy strategies – whether China should pursue "the strategy of keeping a low profile" focusing on economic gains as it did under Deng Xiaoping, or "striving for achievements", putting emphasis on the strengthening of political support as the way to succeed in the rejuvenation of the Chinese nation (Yan 2014; Qin 2014). Proponents of the latter argue that the "striving for achievements" strategy has made major progress after the election of Xi Jinping in 2012 (Yan 2014). However, even if it is accepted that Xi leans towards striving for achievements – as the evidence so far indicates – this is most unlikely to mean a complete departure from the old Chinese foreign policy strategy (Qin 2014).

Chinese foreign policy under the leadership of Xi Jinping

Looking beyond underlying principles, it is clear that the new administration of Xi Jinping is pursuing a more active foreign policy. The main aim of the new foreign policy is "to achieve modernization, create a benevolent and peaceful external environment, and take steps that allow it to develop its domestic economy" (Zhao 2013). To achieve these aims China seeks to maintain its peaceful relations with other states, both in its own neighbourhood and globally. This includes a need to manage conflicts with neighbours over territorial and maritime issues. It is also important to counteract the United States' decision to refocus its foreign policy, putting more emphasis on Asia. A key element is to secure natural resources, including, but not exclusively, oil and gas, in order to build a momentum for domestic development. The overarching goal is to ensure prosperity in China, to open up "new paths for the nation's rejuvenation, and create conditions that benefit the Chinese people" (Zhao 2013).

There is also agreement that foreign policy will not be one of Xi Jinping's top priorities, as domestic challenges will need to be his main focus. After three decades of "reform and opening up" it is clear that China is approaching more difficult times as it has to manage slowing economic growth, shifting social structures and socio-economic unrest caused by increasing socio-economic inequalities. Thus it can be expected that the Chinese foreign policy path will be even more guided and driven by domestic concerns than it used to, be it to satisfy nationalistic demands, energy needs or the need for economic growth.

Looking at Xi Jinping's foreign policy, a number of priorities stand out. First of all, there has been emphasis on the need to maintain a stable international environment, in particular with regard to the United States. Here, President Xi during a trip to the United States in February 2012 proposed the idea of "a new type of relationship between major countries in the 21st century" which in all its vagueness has been generally endorsed in Washington. The underlying premise is that a major conflict between the United States and China is not inevitable, and that such a conflict would be catastrophic for both sides, with even non-cooperation being extremely costly (Lampton 2013). Thus Xi argues for "mutual understanding and strategic trust", "respecting each other's 'core interests'","mutually beneficial cooperation", and "enhancing cooperation and coordination in international affairs and on global issues".[15]

As a response to the United States' rebalancing to the Asia-Pacific Xi is also eager to develop China's relations with "old friends", i.e. countries that have stood by China in the past or are indebted to China (Aoyama 2014).These approaches have not always been welcome or successful, but they have at least sent a message to Washington about what China thinks of the rebalancing to Asia (ibid.). China has also been trying to widen its impact in the emerging developing world, trying to increase its presence and influence in South Asia, Latin America and Africa. It is also trying to develop its cooperation with other emerging major states, such as India, Mexico, South Africa and Russia. In short, in its counteracting of the United States, it seeks all avenues it can find. This is also, as will be discussed later, why it welcomes Russia onto its "home turf" in Asia-Pacific. How Xi Jinping and his leadership handled the for China most uncomfortable Russian intervention in Crimea will be discussed below (see the sections on the Asia-Pacific region and Ukraine).

In conclusion, major developments have been seen in Chinese foreign policy during the last one and a half decades, with Xi Jinping's more active foreign policy being the most recent example. It is clear that China under Xi Jinping will not be a *status quo* power, accepting the world as it is, nor are we to expect China to become a revisionist power aiming to remodel the global order. Even if we accept that Xi leans towards "striving for achievements", as the evidence so far indicates, it is still most unlikely that there will be a complete departure from the old Chinese foreign policy strategy of "keeping a low profile". In 2010 Breslin referred to China as a "dissatisfied responsible great power" (Breslin 2010). This is still the case, though by now China has moved beyond being merely dissatisfied to become what can best be described as a responsible reformer "striving for achievements".

[15] Xi Jinping's speech at the National Committee on US-China Relations and US-China Business Council Luncheon, Washington, D.C., 15 February 2012, cited in Lampton (2013: 53).

3.3 A comparison between Chinese and Russian foreign policies

China and Russia share a geopolitical world view and the preference for a multipolar world order. They have in common the experience of losing their position in the world. China, a great power for 4000 years, went through "a century of humiliation", 1839–1949, and Russia experienced the disintegration of the Soviet Union in 1991. These events constituted a crisis for two countries with deeply embedded great-power identities. Since then they have tried to regain what they consider to be their rightful positions in the international system.

Russia aspires to be a great power and its strong economic growth in the early 2000s contributed to its being able to develop a more assertive foreign policy. The cornerstone, however, in Russia's ambition to be recognised as a great power was rebuilding and modernising its military strength. This process was accelerated with the launch of a reform of the Armed Forces in 2008. In order to claim great-power status Russia has showed readiness to preserve its sphere of influence from the interference of other powers by using military strength, as was seen in Georgia in 2008 and in Ukraine in 2014.

In Chinese foreign policy there is more of an indirect focus on being a great power. The overarching goal is domestic political stability in order to ensure regime survival, which depends on economic growth and nationalism. China is today the second largest economy in the world and a great power in economic terms. Like Russia, China has invested heavily in its Armed Forces, but chosen not to use them, as conflicts could hamper economic growth, which always comes first. China does not have the same need to control its neighbours as long as they acknowledge China's superiority. It is content with returning to the long historical tradition of relations between itself and other parts of the region, to a Sino-centric order where the "Middle Kingdom" is respected and recognised as superior by its neighbours. This does of course not apply to Taiwan, the South China Sea, the Senkaku/Diaoyu Islands and other areas claimed by China – they are considered by China as a part of its territory and as such should be acknowledged as domestic issues in which outside actors should not intervene.

Domestic political stability is also an important objective in Russian foreign policy for the same reason as in China, to ensure regime survival. The Chinese and Russian leaderships have used nationalism, and in the case of Russia also conservative values, to appeal to the broader layers of the population, in order to stay in power. China and Russia share the experience of the redefinition of the social contract between the leadership and the people. In Russia the social contract during Putin's first reign entailed the population giving up some of their civil liberties for higher living standards. After Putin's return as president in 2012, slowing economic growth has led the Russian leadership to resort to policies characterised by conservative values and nationalism in order to stay in

power. In China political ideology is no longer enough to legitimise the authoritarian one-party rule and the leadership has turned to nationalism and economic growth.

The conservative values narrow the scope of Russian foreign policy, as the outside world, apart from the CIS countries, is depicted as hostile. In China, the focus on economic growth gives the foreign policy a strong element of business and trade. There, is however, a contradiction between nationalism and economic growth, as the former has resulted in tensions between China and its neighbours, and risked straining the economic ties with them. On the whole it can be said that, whereas the goal of regime survival opens China up as it encourages business and trade, it closes Russia off to the world.

One resemblance between the two countries is the displaying of weakness and strength at the same time. On the one hand China has the mentality of being superior, but simultaneously displays inferiority and insecurity, experiencing internal as well as external threats. Russia in turn has a great power identity, but sees threats and dangers coming from all directions and fears domestic instability.

Russia and China have different preferences with regard to the stability of the international environment. Russia considers that the instability that the transition from a unipolar to a multipolar world order would bring would be acceptable due to the possible gains. China on the other hand prefers stability to an unstable transition period which could present too high a risk with regard to continuous domestic economic growth and eventually regime survival.

The pragmatic approach to international relations, dealing with things sensibly and realistically in a way that is based on practical rather than ideological or principled considerations, is another trait China and Russia have in common. A major difference is the outlook on principles such as territorial integrity and sovereignty, i.e. the principle of non-interference in domestic affairs. China adheres to a strict interpretation, which means that under no circumstances can interference be accepted, whereas Russia has a more flexible approach, as the aggression against Ukraine has revealed.

During the period 2007–2009 China and Russia started to pursue a more assertive foreign policy. In the case of China it coincided with an increasing room for manoeuvre as the West was preoccupied with the global financial crisis. For Russia the new great power-identity contributed to a more assertive foreign policy. Despite economic difficulties in recent years, Russia continues to pursue an assertive foreign policy, as a result of its great power identity and to appeal to broad layers of the population. China, which continues to perform well economically, became more cautious in 2011, as its assertiveness resulted in tensions with neighbouring countries. China is, however, now actively seeking increased international recognition and influence. It is not satisfied with the

status quo, and has gained the confidence and strength to more actively challenge what it sees as the existing unipolar hegemonic order led by the United States. In spite of this, China does not seek a complete remodelling of the world, but rather to transform the international order to suit China's interests better.

4 The economies of China and Russia and their interdependencies

While the Russian economy is stagnating, China is on its way to becoming the foremost economic power in the world. Why is economic development in China and Russia so different? Are China's and Russia's economies interrelated? This part of the study analyses the Chinese and Russian economic development in a comparative perspective and explores their interdependency.

4.1 From socialism to capitalism – two different approaches

China and Russia share the fate of having adopted socialism as the sole ideology of one-party-state dictatorships at the beginning of the 20th century. Thereby they rejected the market and private ownership as core elements of economic development. They also share isolation from the West during considerable periods in modern history with the exception of certain trade ties. However, the ways in which socialism has evolved in the two countries differ considerably, as do the routes eventually chosen to resolve the economic challenges caused by the socialist command system. Mao Zedong[16] decided to build rural socialism in agriculture during the "Great Leap Forward" (1958–1962) and China remained an agrarian economy, still classed as a developing economy. Joseph Stalin[17] embarked on industrialisation of the Soviet Union with the First Five Year Plan of 1928. The high priority given to heavy industry and defence and the neglect of agriculture and private consumption became the hallmarks of the Soviet command economy and economic development ever after.

China started gradual economic reforms after Mao's death in 1976. The reformist Deng Xiaoping[18] set out the "Four Modernisations" in 1978 covering agriculture, industry, technology and defence. Collectivised agriculture was liberalised and families could contract to sell the surplus from their plots of land on the market. Similar systems were introduced in industry and ownership could be transferred to local governments, and private enterprises were allowed and established (Prime 2012: 689–90). Special economic zones were created and the country was opened up to foreign direct investment (FDI) with a focus on attracting export-oriented manufacturing FDI. At the end of the 2000s, enterprises with foreign investment accounted for over half of China's exports and imports and about a

[16] Mao Zedong (1893–1976) was the leader of the Chinese Communist Party 1943–1976 who established the People's Republic of China in 1949.
[17] Joseph Stalin (1878–1953) was the leader of the Soviet Union from the 1920s to his death.
[18] Deng Xiaoping (1904–1997) was the Chinese reformist leader who, after Mao Zedong's death, introduced market economic thinking in China.

third of Chinese industrial output (World Bank 2010). In the 1980s and 1990s much of the state-owned industry was privatised, and price controls and protectionist policies were lifted. In connection with its accession to the World Trade Organization (WTO) in 2001, China made a radical commitment to liberalisation of the service sector, which triggered FDI into that area. The continuation of a gradual reform line for over 30 years with an increasing market orientation but no political liberalisation has led to China becoming the second economic power in the world in the 2000s.

In the Soviet Union, there were attempts to raise economic efficiency after Nikita Khrushchev's "Thaw"[19] in the late 1950s and the "Kosygin reform"[20] in the late 1960s; however, these attempts were unsuccessful and the economy fell back into stagnation. It was not until Mikhail Gorbachev's[21] perestroika and glasnost in 1985 that serious reform started. These reforms were partial but opened up for small scale entrepreneurs to start their businesses in the form of cooperatives. However, these partial economic reforms failed and caused severe macroeconomic imbalances which contributed to the dissolution of the Soviet Union in 1991. However, Gorbachev allowed the iron curtain to fall, the Cold War to end, and thereby the prerequisites for a democratic Eastern Europe and a new economic order in Russia created. Russia experienced both political and economic reforms in the 1990s and, thanks to the transition to a market economy, the economic performance was high in the 2000s.

However, since the mid-2000s the economic reform effort has ceased and political freedoms have been circumvented (Oxenstierna 2014a). Instead of modernising the economy and becoming a champion in some innovative field, Russia has returned to building military status and strengthening its great power position, relying on its exports of hydrocarbons. As a result of increased state intervention and ignorance of the severe systemic problems, the economy started to stagnate in 2012. Russia's occupation of Crimea and the aggressive attempts to destabilise eastern Ukraine have caused a confidence crisis which has further depressed growth particularly through capital flight and postponed investments. Sanctions imposed by the United States and the EU in the summer of 2014 have aggravated the situation. During the autumn the serious drop in oil prices and the

[19] Nikita Khrushchev (1894–1971). Khrushchev's "Thaw", or *Ottepel*, became possible after the death of Stalin from the mid-1950s to the early 1960s. Khrushchev denounced Stalin in the "Secret Speech" at the 20th Congress of the Communist Party. During the Thaw repression and censorship in the Soviet Union were reversed and millions of Soviet political prisoners were released from the Gulag labour camps. The term was coined after Ilya Ehrenburg's 1954 novel *The Thaw*.

[20] The Kosygin reform, or Liberman reform, was a reform of economic management and planning, carried out between 1965 and 1971. It attempted to introduce capitalist methods at the state enterprises, e.g. in management, introducing increased economic independence for companies and the use of material incentives.

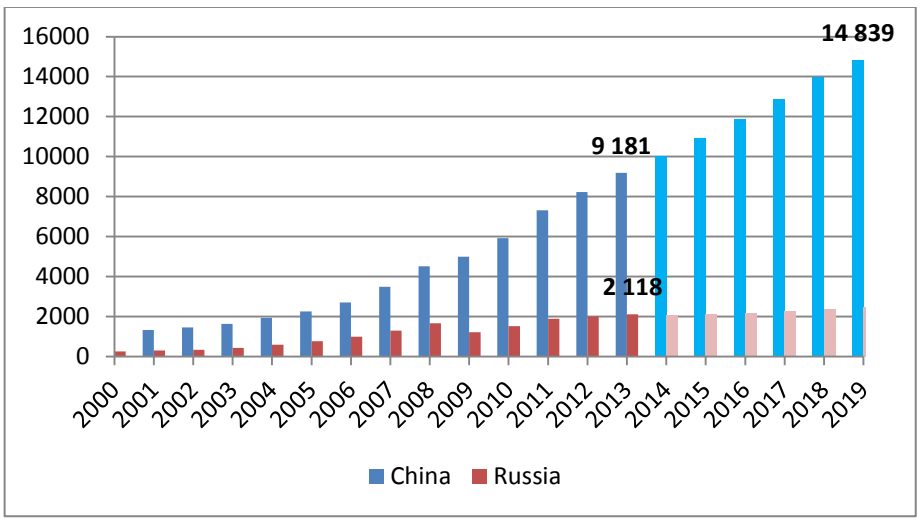
[21] Mikhail Gorbachev (b. 1931) was the last leader of the Soviet Union (1985–1991).

rouble's depreciation have pressed growth to around zero and squeezed federal reserves.

4.2 Economic development

China has had a strong economic development since the beginning of the 1990s. In comparison, in 1990 China's GDP was less than twice as big as Russia's, but by 2003 it was more than six times larger (Figure 4.1:Jacques 2011: 184). The average annual growth rate in the 2000s was 10.5 per cent and in the 2010s around 6 per cent is forecast. In 2018, China is expected to overtake the United States as the largest economy in the world with a share of 18.5 per cent of the global economy (Figure 4.2). In 2000, the Chinese economy amounted to 7 per cent of the global economy, while the American economy corresponded to 24 per cent. In 2013 the analogous shares were 15.4 for China and 19.2 for the United States.[22] Russia currently has a share of the world economy of 2.8–3.0 per cent and it is not expected to rise. Russia started to grow in the 2000s after the market reforms in the 1990s, when high oil prices allowed the government to conduct consistent fiscal policies and build up reserves. Average GDP growth in 2000–2008, before the crisis, was 7 per cent. After having managed the economic crisis

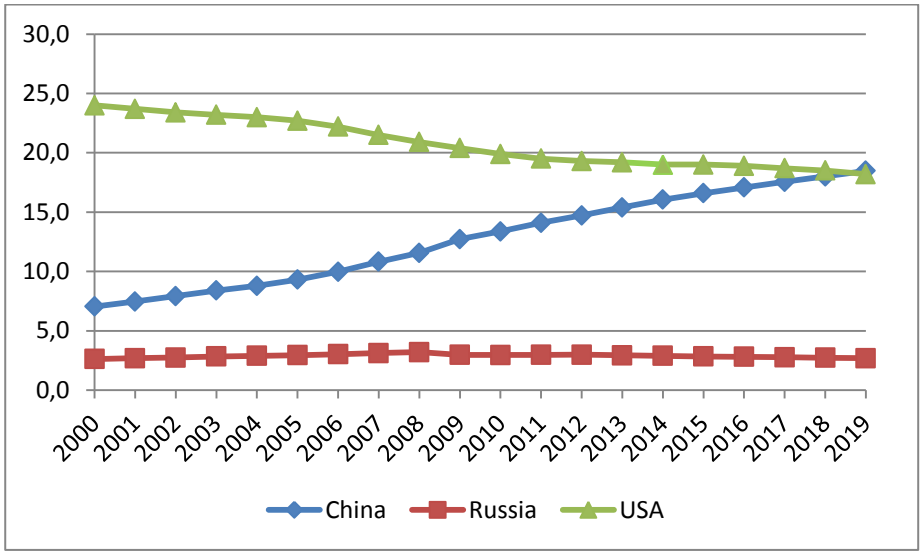
Figure 4.1 GDP of China and Russia, 2000–2019; billion USD, current prices, estimates from 2013



Source: IMF (2014)

[22] With GDP adjusted for purchasing-power-parity (PPP) the world economy shares of China and the United States in 2013 were 15.3 per cent and 19.3 per cent respectively (IMF 2014).

Figure 4.2 Share of the world economy: China, Russia, USA, 2000–2019; *per cent, current prices (estimates from 2013)*



Source: IMF (2014)

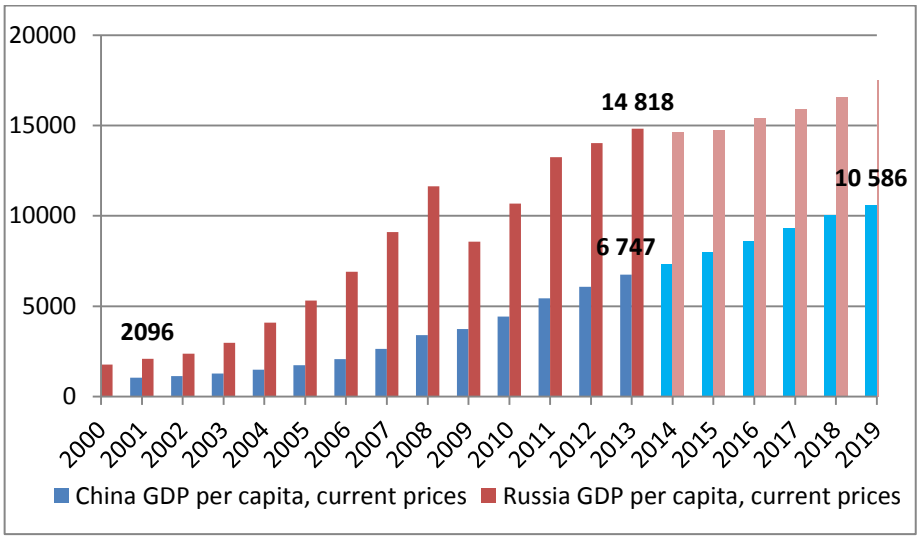
in 2008–2009 quite successfully, and achieved 4.5 per cent growth in 2010, the Russian economy has fallen into stagnation. Before the conflict with Ukraine it was expected that the economy would grow at a moderate rate of 1–2 per cent during the next few years. In late 2014 growth is expected to be around zero.

Despite China's achievements and the fact that it is now a middle-income country its GDP per capita is still lower than that of Russia (which is a high-income country since 2012). Russia's GDP per capita has been roughly twice China's. In 2013 it was almost 15 000 USD while China's was about 7 000 USD (Figure 4.3).[23] However, China's GDP per capita is expected to grow faster than that of Russia and the gap will diminish in the future.

The slowing down of the Chinese growth rate is due to a decelerating investment growth, the main growth driver, and the worsening external balance. In addition, the structure of the Chinese economy is changing – from a manufacturing to a service-based economy. In 2013 services contributed 3.7 percentage points of GDP growth and manufacturing industry 3.6 percentage points (World Bank 2014: 3). China has been trying to promote consumption as a more important growth driver. However, the system is adapted to the old growth model with a high savings ratio and public sector investments as key driver and it takes time to reform it to a consumption-driven system. In Russia the slowing growth is due to

[23] In 2013 PPP-adjusted per capita income was 11 619 USD for China and 19 178 USD for Russia, that is China's per capita income is 61 per cent of Russia's (IMF 2014).

Figure 4.3 GDP per capita, China and Russia, 2000–2019; *USD, current prices (estimates from 2013)*



Source: IMF (2014)

systemic factors. Russia's dependence on rents from the oil sector and Putin's rent management system do not allow investment and growth in new innovative companies. Instead the energy rents are used to subsidise old Soviet-type enterprises and preserve the power structure in the country (Oxenstierna 2014a).

4.3 China's success relative to Russia's economic performance

An important factor behind China's success in generating growth relative to Russia is that it was predominantly an agrarian economy and it started market reforms about twelve years before Russia. At first rural communities were dismantled and peasants were given control over the land and were encouraged to market their own products. The liberalised regime in special economic zones along the south-eastern seaboard was subsequently spread to larger territories and sectors and growth rates doubled – from 4–5 to 9.5 per cent – between 1978 and 1992 (Jacques 2011: 176–177). Reform efforts were intensified in the 1990s with large-scale privatisations and reductions in tariffs, trade barriers and regulations, and in 2001 China joined the WTO. By 2005 the private sector's share of GDP exceeded 50 per cent and China overtook Japan as the largest economy in Asia (Schoenleber 2006).

By contrast, Russia started its market-oriented reforms in a heavy industrialised militarised economy where a lot of the industrial infrastructure was inadequate.

The administrative command system was meant to ensure that the heavy industry and military production got all the resources they needed, and not for distributing factors and goods to the most productive producers which characterises a diversified market economy. Factory directors, workers and regional governors naturally opposed the radical deterioration of the conditions for their survival. It is worth noting that even though the formal Soviet institutions collapsed quite quickly in the 1990s, the informal institutions of the Soviet system have remained mostly intact throughout the transition, and this has disturbed the modelling of the new market-oriented institutions in Russia. In fact the institutional environment for transitional Russia has largely been formed by Soviet attitudes rather than by the formal Western models on which market institutions are based (Oxenstierna 2014a: 32).

Another central reason for China's success is that the expanding economy has had access to substantial migration of rural labour into the cities and the new expanding industries. China's migrant population is huge[24] and the part living for more than six months outside the township where they are registered – the so-called "floating population" – amounted to 120 million persons according to the 2000 census (Zhu 2007: 65). Access to a cheap, mobile labour force in times of high growth is vital. The floating population is not entitled to the same social and economic privileges as the permanent urban population since they keep their rural *hukou* status, the Hukou system[25] being China's household registration system (ibid.: 68). This means that China has a dual labour market with the floating population being a highly mobile labour force for which the state does not provide basic social security and which is dependent on keeping ties to the rural areas they come from, where they can go back and hopefully work the land. In Russia the degree of urbanisation at the start of the reforms was much higher and the geographical mobility of the labour force is low. Unemployment was kept low during the transition. Instead adaptation was achieved through downward wage flexibility. Labour has been locked in in the old industry and the most mobile labour force has been the migrants from the other former Soviet republics.

China is rich in natural resources[26] but its economic rise has been built on trade and the export of goods produced by cheap labour. This stands in sharp contrast to the Russian economy which is based on hydrocarbons and other raw materials. China has been able to attract FDI and many foreign firms have manufacturing in

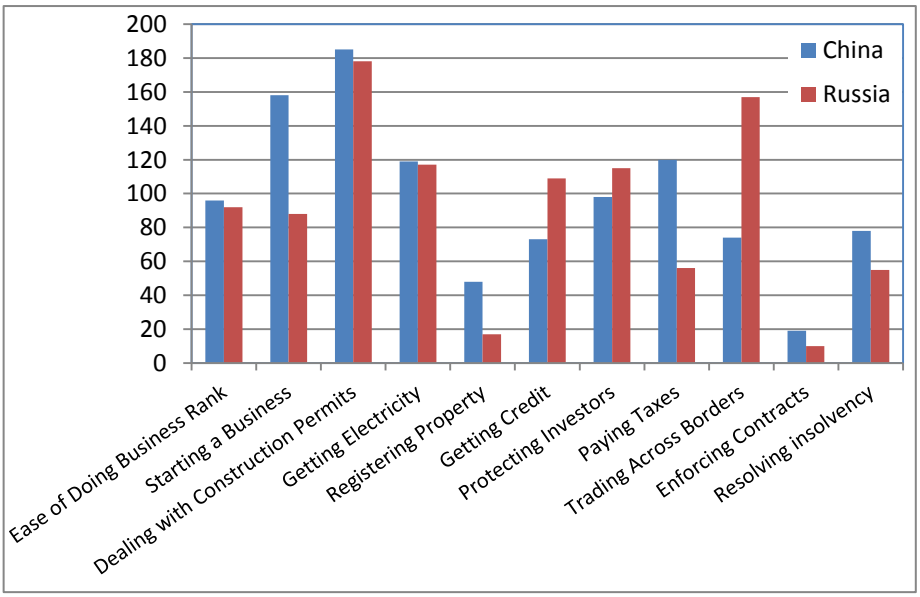
[24] In the mid-2000s, China is reported to have a total of 200 million internal migrants (Repnikova and Balzer 2009: 8).

[25] The Hukou system was introduced in 1958 as a central mechanism for controlling rural-urban migration before the reform era. It still plays a major role in creating a two-class urban society (Zhu 2007: 66).

[26] China has coal and is rich in rare minerals such as rare earth, antimony and tungsten in which it controls 80–95 per cent of global production.

China. Since the reforms started, China has conducted an open door trade policy and is now one of the most open economies in the world. This has also strengthened technology transfer from the developed world. Unlike many South-east Asian countries China has succeeded in bargaining with multinationals and joint venture partners to transfer technology and research and development (R&D) departments to China (Jaques 2011: 214–215).

Figure 4.4 World Bank Doing Business Index 2013; *rank (the lower the value the better)*



Source: World Bank (2013)

In terms of institutions and governance China ranks higher than Russia for developing businesses. The Worldwide Governance Indicators (WGI) provide aggregate indicators of six broad dimensions of governance:[27] Political Stability and Absence of Violence/Terrorism; Voice and Accountability; Government Effectiveness; Regulatory Quality; Rule of Law; and Control of Corruption. In the Annex, Figures A1–A6, China and Russia are compared in the six aspects covered by the WGI. In all six, except for "voice and accountability", China scores better than Russia. China has a stable advantage in "government effectiveness" and "rule of law" (Figure A5). It is even improving on its "control of corruption" (Figure A6). This is also reflected in the Corruption Perception Index (CPI) by Transparency International (2014) where China ranks 80th country in the world with a score of 40 and Russia ranks 127th with a score of

[27] The six aggregate indicators are based on 31 underlying data sources reporting the perceptions of governance of a large number of survey respondents and expert assessments worldwide.

28. It is clear that China has a considerably better position when it comes to rule of law and, even if there is extensive corruption, the government controls it to a greater degree than is the case in Russia (see Figures A5–A6). However, in the World Bank's ease of doing business index, which reflects the business climate for small and medium-sized companies, Russia is ranked 92 and China 96 in 2013 (Figure 4.4). Russia beats China in the indicators "starting a business" and "paying taxes" but lags behind in "getting credit and "trading across borders".

4.4 Trade patterns

China is the global champion in trade and its trade-oriented approach to development over the past three decades has paid off. It ranks first in exports and second in imports in the world. Accession to the WTO gave a huge boost to China's integration into the global economy, which in turn has proved to be a growth engine for the domestic economy. The liberalisation of foreign trade has become the heart of the reform process (Hilpert 2014: 7). China's trade-to-GDP ratio is almost 54. Russia has about the same ratio of trade to GDP, 52, but its

Table 4.1 Trade profiles: China and Russia, 2012; *rank and share of world trade*

	China rank	Russia rank
Rank in world trade		
Merchandise exports	1	8
Merchandise imports	2	17
Commercial services, exports	5	22
Commercial services, imports	3	14
Trade/GDP ratio (2010–2012)%	53.6	51.5
Share in total world exports, %	11.1	2.9
Exports by main commodity group, % of world exports		
Agricultural products	3.2	6
Fuel and mining products	2.7	71.3
Manufactured goods	94.0	19.6
Imports by main commodity groups, % of world imports		
Agricultural products	8.6	13.3
Fuel and mining products	29.4	2.9
Manufactured goods	58.2	80.1

Source: WTO (2014)

rank in world trade is much lower both for exports and for imports (see Table 4.1). China's share of world total exports is 11 per cent and its share in imports is almost 10 per cent. China's share of world trade is expected to rise to 14 per cent in 2018 (Hilpert 2014). Russia joined the WTO only in 2012. The shares of Russia's exports and imports in the world totals are only 2.9 and 1.8 per cent respectively.

Trade patterns differ considerably between the two countries. China exports mainly manufactured goods (94 per cent of its exports), while Russia is specialised in fuels and mining products (71 per cent of its exports). About 29 per cent of China's imports are fuels and mining products, while Russia imports mainly manufactured goods. Russia's trade is concentrated to one partner, the EU, which gets 47 per cent of Russian exports and provides 42 per cent of imports – while China has a more balanced trade pattern with the United States, the EU, Hong Kong, Japan and South Korea being trading partners of more similar magnitude (Table 4.2).

Table 4.2 Exports by main destination and import by origin, 2012*; per cent of total exports/imports*

Exports by main destination	**China**		**Russia**	
	USA	17.2	EU	46.8
	EU	16.3	China	6.8
	Hong Kong	15.8	Belarus	4.1
	Japan	7.4	Turkey	3.1
	South Korea	4.3	Japan	3.0
Imports by main origin	**China**		**Russia**	
	EU	11.7	EU	41.9
	Japan	9.8	China	16.4
	South Korea	9.3	Ukraine	5.7
	China	7.9	Japan	5.0
	USA	7.4	USA	4.9
	Unspecified	11.9	Unspecified	0.1

Source: WTO (2014)

As Table 4.2 shows, China is one of Russia's main trading partners – 6.8 per cent of Russia's exports go to China and 16.4 per cent of its imports come from China. China, however, does not count Russia among its five largest trading partners. According to national Chinese statistics, exports to Russia in 2012 amounted to 2.2 per cent of total Chinese exports and the Russian share in imports was 2.4 per cent (CSY 2013). This is far from China's main trading partners, who account for between 5 and 17 per cent of Chinese trade each.

In 2013 China launched the "Silk Road Economic Belt" project, which entails the establishment of a transport corridor from the Pacific Ocean to the Baltic Sea (Szczudlik-Tatar 2013: 3). The project's long-term vision is to link the trade routes of Europe, the Middle East, Asia and Africa. One objective is to allow Chinese goods to reach Europe by inland route without having to cross Russia, and it is also an attempt to counterbalance Russia's influence in Central Asia (Brugier 2014). Russia does not feel included in this project and has so far stalled the construction of the Chinese deep-water port in Crimea in connection with the Russian annexation.[28]

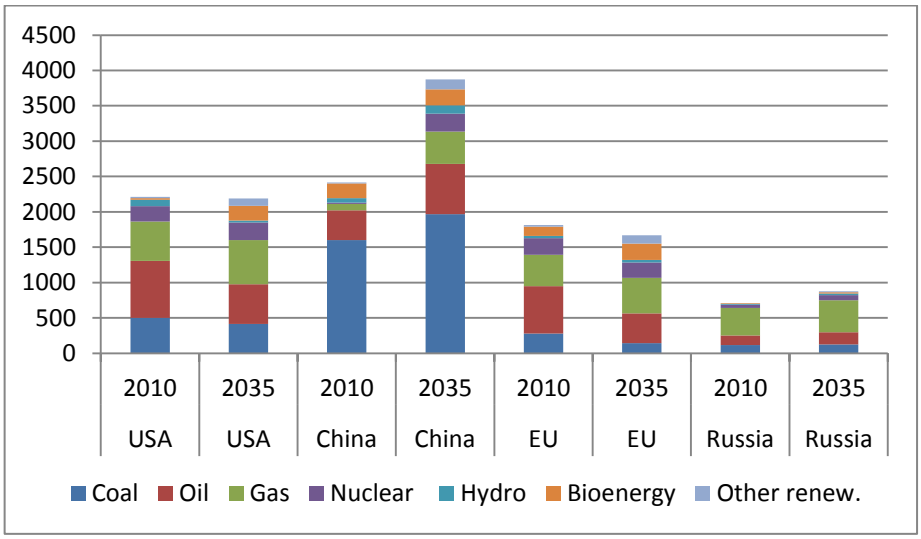
4.5 Energy cooperation

Russia is one of the world's most energy-rich countries while China is the world's largest energy consumer and in need of imports to cover its significantly increasing energy demand over the coming 20 years (Figure 4.5). During the 2000s, Russian energy production rose dramatically as a result of increased foreign demand for fossil fuels and the high price of oil throughout the period, and this enabled it to step up its exploitation of existing deposits and expand its transport infrastructure. Russia was exporting about a third of its energy production in 2000 and almost half of the total by 2010 (see further Oxenstierna and Tynkkynen 2014: 4–6; Oxenstierna 2012). China's energy is dominated by coal complemented by bioenergy and oil. In the next 20 years China is expected to double its energy consumption and oil, gas and nuclear energy will play a more significant role in the energy mix (Figure 4.5).

With China's expanding economy on one side of the border and Russia's abundant energy resources on the other one would expect strong trade ties in this area. However, Russia is still mainly tied to Europe in its energy trade. In the

[28] Before the annexation China and Ukraine had agreed to invest USD 10 billion to build the deep sea port on Crimea, including an airport, an LNG terminal and a shipyard (The Financial Times 2013). The port would have served as an important node for new logistic corridor between China and Europe.

Figure 4.5 Primary energy consumption according to the IEA New Policies Scenario; *Mtoe*



Source: IEA (2012). Mtoe = million tons of oil equivalent.

early 2010s, about 80 per cent of its energy exports went to the West[29] and 10 per cent to Asia (Oxenstierna 2012: 96). In December 2009, the first eastward East Siberian-Pacific Ocean (ESPO) oil pipeline was opened, the main route for Russian oil exports from Eastern Siberia to Asia. In February 2009, Russia and China signed an agreement whereby one of the ESPO pipelines is to run to China and transport 15 million tonnes of oil per year over 20 years. In exchange, China granted Russia a loan of USD 25 billion (bn) for the construction of oil pipelines and the development of oil fields. Expansion of the ESPO pipeline to China began in May 2009 and half of Russia's exports to China have comprised crude oil and oil products (Oxenstierna 2012: 98). In 2013, Rosneft agreed to double oil supplies to China in a deal valued at USD 270 bn. This means that 20 per cent of Russia's oil exports will go to Asia in the future (The Telegraph 2014).

Russia has for many years tried to strike a gas deal with China in its attempt to diversify destinations for its gas exports and secure the foreign demand for gas. Instead China has invested heavily in Central Asian energy resources and infrastructure, including oil and gas pipelines from Kazakhstan and Turkmenistan, which allows energy imports without the involvement of Russia (Oxenstierna 2012: 102). Finally, in May 2014, during the conflict over eastern Ukraine after Russia's illegal annexation of Crimea, which upset relations with

[29] In 2011, 90 per cent of oil, 70 per cent of gas and 50 per cent of coal from Russia went to the EU. This represented about 30 per cent of the EU's imports of each of these fuels (Oxenstierna and Tynkkynen 2014: 6).

the West, an agreement worth USD 400 bn was signed between Moscow and Beijing, under which Russia will supply 38 billion cubic metres (bcm) of gas to China over 30 years starting in 2018. Before that happens, the two sides are to share the estimated USD 77 bn cost of building the new "Power of Siberia" pipeline, stretching from eastern Siberia to China's north-east. The joint initiative could eventually include a second pipeline built to China's western provinces, which would expand Russia's annual gas sales to China to 61 bcm (The Telegraph 2014). This is a large amount but still just a fraction of what Russia exports to Europe: in 2013 pipeline gas exports to Europe amounted to 162.4 bcm (BP 2014). The precise gas price agreed between Beijing and Moscow is currently secret.[30] There has also been speculation that Russia and China may start trading in roubles and yuan, bypassing the USD, which would have serious repercussions for the United States and global trade. However, the substantial drop of the rouble exchange rate in the autumn of 2014 and the volatility of the currency put such plans on hold.

In addition to the oil and gas cooperation, China and Russia are partners in the nuclear energy field. China has 20 working nuclear reactors that provide 2 per cent of its power generation and is expanding its nuclear energy power substantially: at present 29 reactors are under construction (WNA 2014). Russia has built two 1000-MW reactors at the Tianwan nuclear power plant and will build two more reactors at this plant (WNA 2014; Oxenstierna 2014b: 153). In May 2014 the China Atomic Energy Authority (CAEA) signed an agreement with Rosatom, the Russian nuclear state corporation, to cooperate in the construction of floating nuclear co-generation plants for China's offshore islands. These would be built in China but be based on Russian technology (WNA 2014).

4.6 Chinese labour migration to the Russian Far East?

Labour migration from China to Russia's Far East is another field where one would expect cooperation between Russia and China. The three Chinese provinces bordering Russia[31] have a combined population of approximately 100 million, while there are only about 6 million Russian citizens living in the Russian Far East (Repnikova and Balzer 2009: 10). However, demographic imbalances do not automatically translate into large-scale migration. In fact

[30] According to *The Telegraph* (2014), "well-informed insiders, examining the scale of the promised exports, and the headline size of the deal, suggest a range of USD 350-USD 370 per thousand cubic meters… Russia sells gas to Belarus for about USD180 while Ukraine, until recently, was paying USD 268. So USD 350, while less than most West European countries pay…it's still less than it costs China to import LNG from Qatar and elsewhere — and with much less geo-strategic risk."

[31] Heilongjiang, Jilin, Liaoning.

Chinese represent only a small segment of the migrant population in Russia. The Institute of Asia and Africa at Moscow State University has estimated that 200 000–450 000 Chinese reside in Russia, and that around 500 000 enter Russia through the Russian Far East border per year (ibid.: 14).[32]

Despite this limited evidence of Chinese labour migration, and even more so of Chinese immigration to Russia, Russian politicians, media and even researchers have exaggerated the numbers. Claims that there are between 2 and 4 million Chinese migrants in the Russian Far East have been common and countless bureaucratic obstacles have been introduced on the Russian side to limit these numbers and avoid a situation in which "Chinese migration would turn the Russian Far East to the 'Asian Balkans'" (Repnikova and Balzer 2009: 9; 13; 15). A constant problem has been hurdles and expenses in connection with acquiring visas. Traders encounter high tariffs and non-transparent tariff policies and quotas imposed by Moscow to limit the numbers of Chinese workers. The physical safety of Chinese in Russia has become a serious concern, and since 2007 traders have been banned from retail markets and forced to hire Russian salespersons or move into an indoor establishment. On the whole Russia is not supporting increased regional linkages with China's north-east. On the contrary, myths to the effect that China's leaders are carefully managing Chinese migration in order to regain territories lost in the 19th century are being spread and ideas that hordes of Chinese will seek a "good life" in Russia are being nourished (ibid.: 35). There are considerable missed opportunities in not developing regional trade and factor mobility, and the development of the Russian Far East would certainly profit from more regional cooperation, but the Russian fear of having a Chinese presence in the region deters such plans.

The attractiveness of a move to Russia for Chinese migrants is declining relative to other regions in China or other countries where conditions are better and pay is higher. Since the mid-2000s, instead of a massive flood of Chinese into Russia, there is a substantial growth of Russians working and living in China. The net effect of the Russia-China immigration/emigration nexus is a net decline in human capital for Russia. China has become both a less expensive place to live in and a place where development is more rapid than in many regions in Russia. Chinese universities and industrial laboratories are recruiting Russian specialists and families in the Russian Far East are sending their children to border cities to learn Chinese (ibid.). Maybe the number of Russians living in China will eventually exceed the number of Chinese residing in Russia?

[32] Russian demographers estimate that around 10 per cent of all employed in the Russian economy are foreign workers, which corresponds to about 7 million persons (Oxenstierna 2014a: 23).

4.7 Arms trade

Russia is the second largest arms exporter in the world after the United States with 27 per cent of global arms exports (Table 4.3). Over half of its exports go to India, China and Algeria. India gets the lion's share 38 percent – followed by China, 12 per cent, and Algeria, 11 per cent. Aircraft accounted for 43 per cent of Russia's arms exports and 219 combat aircraft were delivered during the period 2009–2013 (SIPRI 2014: 3). China is the fourth largest arms exporter in the world with 6 per cent of total exports. Its main clients are Pakistan, which gets 47 per cent of China's exports, Bangladesh with 13 per cent, and Myanmar/Burma with 12 per cent. As can be seen in Table 4.4, in addition to Russia China has substantial arms cooperation with France and Ukraine as well.

Table 4.3 The ten largest exporters of arms 2009–2013; *per cent and rank*

Share of world arms exports, %			Main clients (% share of exporter's exports) 2009–13		
	2009–13	**2004–08**	**1st**	**2nd**	**3rd**
USA	29	30	Australia (10)	South Korea (10)	UAE (9)
Russia	27	24	India (38)	China (12)	Algeria (11)
Germany	7	10	USA (10)	Greece (8)	Israel (11)
China	6	2	Pakistan (47)	Bangladesh (13)	Myanmar/ Burma (12)
France	5	9	China (13)	Morocco (11)	Singapore (10)
UK	4	4	Saudi Arabia (42)	USA (18)	India (11)
Spain	3	2	Norway (21)	Australia (12)	Venezuela (8)
Ukraine	3	2	China (21)	Pakistan (8)	Russia (7)
Italy	3	2	India (10)	UAE (9)	USA (8)
Israel	2	2	India (33)	Turkey (13)	Colombia (9)

Source: SIPRI (2014)

China is the second largest arms importer after India, with 5 per cent of global arms imports (Table 4.4). Its main supplier is Russia, with 64 per cent of China's imports followed by France, with 15 per cent, and Ukraine, 11 per cent. The China-Russia arms cooperation started seriously at the end of the Cold War. Between the collapse of the Soviet Union in 1991 and 2010, it has been estimated that over 90 per cent of China's imported conventional weapons were supplied by Russia, while China accounted for nearly 40 per cent of Russian

arms exports (Jakobson et al. 2011: 14). The transfer of Russian major conventional weapons, components and technologies was the cornerstone of the cooperation. China imported Russian Su-27/Su-30 fighters, transport aircraft, Mi-17 helicopters, Kilo class diesel-electric submarines, Sovremennyi class destroyers and a wide range of missiles (ibid.).

Table 4.4 The ten largest importers of arms 2009–2013; *per cent and rank*

Share of world arms imports, %			Main suppliers (% share of importer's imports) 2009–13		
	2009–13	**2004–08**	**1st**	**2nd**	**3rd**
India	14	7	Russia (75)	USA (7)	Israel (6)
China	5	11	Russia (64)	France (15)	Ukraine (11)
Pakistan	5	2	China (54)	USA (27)	Sweden (6)
UAE	4	6	USA (60)	Russia (12)	France (8)
Saudi Arabia	4	2	UK (44)	USA (29)	France (6)
USA	4	3	UK (19)	Germany (13)	Canada (14)
Australia	4	2	USA (76)	Spain (10)	France (7)
South Korea	4	6	USA (80)	Germany (13)	France (3)
Singapore	3	2	USA (57)	France (16)	Germany (11)
Algeria	3	2	Russia (91)	France (3)	UK (2)

Source: SIPRI (2014)

The arms embargo that the United States and the EU imposed on Beijing in the aftermath of the Tiananmen Square incident of April 1989 made Russia almost the only supplier that could provide China with what it needed. This embargo created a windfall for Russian companies, which they badly needed since the transition to a market economy in the 1990s did not create any stable state defence orders for the Russian defence industry. Within just a few years China had managed to obtain significant quantities of Russian technology through buying complete weapons systems, obtaining licenses to manufacture Russian weapons in China, importing Russian components intended to help Chinese manufacturers assemble their own weapons, and sending technicians to Russia for training. In this fashion, China was able to modernise its armed forces in a short period of time and, above all, develop a serious domestic arms industry, making the country increasingly independent of Russian supplies. The so-called "new leap forward" in the military industry was especially apparent in the production of advanced aircraft and surface platform systems; as a result China can now boast that some of its armaments are equal to those available from any other global supplier (Rousseau 2012).

In the mid-2000s, the Russian economy had recovered and could grasp the fruits of being a market economy, which gave the economic prerequisites to modernise the armoury of the Russian Armed Forces. In 2005, domestic state defence orders for the first time in many years exceeded the value of exports (Westerlund 2011: 171). With the military reform launched in 2008 defence orders surged thanks to a new ambitious armament programme with the goal of rearming the Armed Forces and giving them "a new look" by 2020 (Oxenstierna and Westerlund 2013). The defence industry was no longer so dependent on Chinese orders or the international market in general. Moreover, the Russian authorities were concerned by the rapid emergence of the Chinese military industry and have limited the volume of weapons exports to China (instead exports to India have increased). Policy makers in Moscow are also much more cautious nowadays when negotiating deals with China to manufacture military equipment under licence, as this enables the Chinese to acquire the expertise to produce their own high-grade arms. Russia's new approach is not only due to worries about competition over weapons technology, but also to the geopolitical competition it faces from China (Rousseau 2012). For their part, Chinese policy makers are frustrated with the sometimes poor quality of the equipment and components imported from Russia, and continuous delays in deliveries and deviations from the originally agreed prices account for the recent decline in arms trade and close defence cooperation (ibid.).

The conflict over Ukraine affects the Russian defence industry in two major ways. First it has lost the quite extensive arms cooperation with Ukraine and with it supplies of important arms components (in particular gas turbines and helicopter engines) which were essentially produced in eastern Ukraine. Second, the Western sanctions have closed Russia's access to Western defence technologies and technologies of dual use. This could open up scope for new Russian-Chinese defence industry cooperation. For instance, Russia is not self-sufficient in electronics, but China has developed its indigenous production, and Russia could use Chinese electronics in its arms development (Interview with Russian expert, Moscow 2015).

4.8 Cooperation, competition and distrust

Economically China has long since overtaken Russia on the global scene and become the challenger for the position of the first economic power in the world. The economic gap between China and Russia is increasing and in this relationship it is clear that China is gaining the upper hand. The Russian conflict with Ukraine in 2014 has resulted in a greater Russian dependence on China both politically and economically. The West strongly disagrees with Russia's actions and has imposed sanctions; however, Russia has chosen not to change its behaviour and has become in many ways isolated from its Western partners, which opens the way for more economic linkages to China and Asia.

The economic ties between China and Russia are not very developed. China is one of Russia's main trading partners, but Russia is not that important for China. The main reason is that China has been reluctant to become dependent on Russian energy and has consistently conducted an export-oriented policy towards the West and attracted massive FDI over the last couple of decades. However, the conflict between Russia and the West over Russia's aggression against Ukraine has intensified trade negotiations between Russia and China and resulted in planned gas and oil pipeline projects. The cross-border trade between China and Russia in the Far East is weak. There is a clear case for developing regional trade and factor mobility at least from an economic point of view.

Despite frictions, Russia and China are likely to continue their arms cooperation, with Russia being the main supplier to China of certain types of more advanced military equipment and technology, such as long-range transport aircraft, airborne tankers and modern naval missile air-defence systems, to name but a few. Russia has shown continued willingness to supply top-level armaments and the troublesome relationship with the West could lead to closer cooperation and breathe new life into this part of the strategic partnership with China. A new area of cooperation could be in arms electronics. China has developed its indigenous production, and Russia could use Chinese electronics in its arms development now when defence technologies and technologies of dual use are not available from the West.

Energy is an area where cooperation has a great potential to increase when Russia's resource abundance and dependence on commodity trade and China's increasing demand for energy are taken into account. Oil and nuclear power have long been areas of close cooperation with the ESPO oil pipeline and Russia building nuclear reactors for China's ambitious nuclear energy programme. In 2013 Russian oil giant Rosneft won a deal to double its supplies to China. However, gas has been an area of distrust: for three decades China has ignored Russia's proposals and instead developed gas cooperation with Central Asia. Finally in May 2014 a deal was struck which means that Russia and China will build the Power of Siberia gas pipeline and Russia will export 38 bcm of gas to China from 2018 for 30 years. This is a great achievement for Russia but the deal corresponds to only 23 per cent of Russia's yearly gas exports to Europe. One should also bear in mind that Russian gas for China and the rest of Asia needs to come from Eastern Siberia and cannot be seen as a direct substitute for gas exports to the EU, which come from Western Siberia.

China is a strong economy but living standards are still lower than in Russia. The challenge for China over the next decade will be to spur private consumption, raise living standards and develop the whole country, including the remote inland territories. Like Russia it has big problems with its institutional framework which hampers growth rates. Russia will have a tough agenda of economic reforms to implement once Russia has a regime that promotes modernisation. The Chinese

could in many ways help Russia, not the least in its development of the Russian Far East, but so far the Russian authorities' distrust of Chinese traders and labour in the Russian Far East has created a situation of missed opportunities in this remote part of Russia. Yet, given the West's disapproval of Russia, the cooperation in energy and arms production between China and Russia may develop more intensively and new areas such as electronics could be opened up.

5 The Asia-Pacific region

Nowhere is the growing imbalance between China and Russia as obvious as in the Asia-Pacific region. It is here that the underdeveloped and scarcely populated Russian Far East meets an increasingly stronger rising China. China is re-emerging as a great power in Asia-Pacific at the same time as Russia is trying to improve its position there. The United States has, as a result of its "rebalance" to Asia-Pacific, become more active in the region, very much to China's frustration. The bilateral relations focused around this region offer other but equally instructive examples of how a range of practical issues are being tackled between the two countries.

5.1 Russia's interests and ambitions in Asia-Pacific

Russia has tried to expand its role in Asia-Pacific at least since the mid-2000s. The goal is to strengthen its position in the region, as Russia sees it as the future economic and political centre of the world (Foreign Policy Concept 2013: §75). This ambition can also be seen as a response to the United States' rebalancing to the region and to the ascent of China. In his national address in 2013, Putin (2013) described the Russian "pivot to the Pacific Ocean" as positive for the economic development of Siberia and the Russian Far East, but also as a foreign policy tool, which bears witness to the fact that Russia views the Asia-Pacific region as a vital part of the multi-vector approach (Foreign Policy Concept 2008). Hence the emphasis on Asia-Pacific does not mean that Russia is downgrading its relationship with the West, but rather that it is trying to balance it. Moreover, its policy on Asia-Pacific is vital in addressing a part of the Russian national identity as a Eurasian power, a unique country, belonging neither to the West nor to the East, and a bridge between Europe and Asia. As a result, Russia cannot only have a European focus in its foreign policy, but must also have an Asian. The policy on Asia-Pacific reinforces the Russian uniqueness, as well as the idea of Russia being indispensable in international politics (Lo 2014: 10).

The main objective of the Russian policy on the Asia-Pacific region is to ensure national security. The large, scarcely populated Russian Far East constitutes a weakness in relation to China. Although Russia has never officially expressed concern regarding China as a security threat, it is a part of the Russian thinking and is revealed in the military assets in the Russian Far East, which are designed to meet a large enemy on land and at sea (ibid.: 12-13; Carlsson et al. 2013: 52). Russia has the ambition to increase its influence in the region and has proposed the building of a "security architecture" for the Asia-Pacific (Foreign Policy Concept 2013: §75). Putin's long-term assumption is, however, that the security

of the Russian Far East is best guaranteed through the strategic partnership with China (Lo 2014: 13).

Although Russia wants to enhance its engagement in the Asia-Pacific region there are a number of factors that make this difficult. First, Russia as a country is oriented towards the West. The majority of the population lives in the European part of the country, most of the economic ties are with Europe, foreign policy is oriented towards the West and the military doctrine gives prominence to NATO and the United States. As Hill and Lo (2013) note, old patterns of behaviour can be hard to break. Second, the Asia-Pacific setting constitutes an obstacle to Russia increasing its influence. The region has a number of great powers, such as China, Japan and the United States, which, in contrast to Russia, are more natural members of the region, either by geographical location or by a long-standing commitment. As a result it is difficult for Russia to create a meaningful role for itself (Lo 2008: 116). Third, Russia has experienced difficulties in making and keeping friends in this region just as it has in other parts of the world. The strong Chinese position makes Russia eager to diversify its relations and the focus of the foreign policy with regard to the region is, therefore, on bilateral relations with other major powers (Mankoff 2012: 213). In this pursuit Russia has to be careful in order not to harm the relationship with China (Buszynski 2010: 278). Russia has, however, not been very successful in forging new ties.

The fear of becoming too dependent on the relationship with China constitutes an impetus for Russia to build stronger relations with Japan. Japan is a rival to China, a close ally of the United States and a huge potential market for Russian natural resources. Russia has promoted its ties with Tokyo, but relations with Japan are strained due to the dispute over the Kurile Islands (see Map 1). Moscow's willingness to resolve the Kurile issue is partly determined by the development of the relationship with China. A too-dominant China would make Russia more inclined to find a solution (Mankoff 2012: 213–214).

Russia does not seek to build any ties with the United States in the Asia-Pacific region, but acknowledges benefits to its presence. A too-dominant China in Asia-Pacific is contrary to Russian interests. Russia fears that China might undermine the Russian ambition to become a more prominent player and might in the longer-term perspective, as the leading power, pursue its national interests without taking regional stability into consideration and become a destabilising factor. For Russia this development among others includes a Chinese takeover of the Russian Far East. Russia sees the United States as the most credible guarantor of stability in Asia-Pacific, a counterweight to China and an obstacle for possible Japanese ambitions (Lo 2008: 118–120).

Russia has tried to engage in multilateral frameworks since the 1990s, but has had limited success in comparison to China, Japan and other major regional

Map 1 South-east Asia

powers. Its influence in the Association of Southeast Asian Nations (ASEAN) is limited.[33] Russia is a member of the Six-party talks,[34] but its influence in the Korean Peninsula is marginal and Moscow's ambitions its place in the Asia-Pacific region is, to quote Gaye Christoffersen (2010: 62), "still undefined, hovering between grandiose visions of its geopolitical role in balance of power strategies, and Russia's near invisibility in the region". The level of Russia's integration into Asia-Pacific continues to depend on China's willingness to give it political and military space. At present Russia has very little influence over the security decision making and there are no signs that this will change in the foreseeable future.

5.2 The Chinese perspective on the Asia-Pacific region

A Chinese-led economic and security order is emerging in the Asia-Pacific region, which reduces the possibilities for Russia to realise its ambitions. China is re-emerging as a great power in the Asia-Pacific region after a "century of humiliation", when external powers dominated the region. The strengthening of the Chinese position is a return to a long historical tradition of relations between China and other parts of the region, where a central feature has been the existence of a Sino-centric world order, where the "Middle Kingdom" over centuries extended its Confucian civilisation, including its written language and bureaucratic system, to Korea, Japan and parts of South-east Asia (Kang 2010a, 2010b).

Since 2007 China has become more aggressive in its pursuit of what it sees as its historical rights. This is particularly evident in the South China Sea, which has re-emerged as the most critical flashpoint in the Asia-Pacific region after a decade of relative calm (Weissmann 2012, 2014). China has also pushed claims in the East China Sea, in particular with regard to the dispute with Japan over the Senkaku/Diaoyu Islands (Map 1). However, it is important for China to continue to be seen as a peacefully rising power and as a "responsible stakeholder". This is not merely a question of prestige or reputation, but a necessity in order to ensure a stable neighbourhood and the economic collaboration needed. This is key for economic development, which in turn is crucial to ensuring regime survival – the ultimate goal of the Chinese leadership.

[33] For a brief but good overview of Russia's engagement in the regional integration in East Asia see Akaha (2012: 20–22).

[34] The Six-party talks aim to find a solution to the security concerns with regard to the North Korean nuclear weapons programme. The countries participating in the talks are North Korea, South Korea, Japan, the United States, China and Russia.

The South-east Asian countries confront a two-faced China. On the one hand China is an economic reality and a political great power in the region which they have to engage with out of necessity. At the same time China is a source of insecurity, not least since it started to pursue more assertive claims in the South China Sea in 2007. As a result much of the trust China had built up since the early 1990s has been lost, but there is still an acknowledgement of the benefits from and the need to actively engage with the rising China. The South-east Asian countries, to cite Dewi Fortuna Anwar, "were and continue to be fully aware of both the inherent promises and dangers that China present [*sic*]", and to believe "that the best course of dealing with China … is to engage and integrate it fully into the regional order" (Anwar 2010). Thus for them a Chinese-led regional order is nothing new, but a return to the "tributary" system that has been the historical norm. Adopting to the "new" reality, they, therefore, are engaging with China while at the same time encouraging the United States to strengthen its position in the region to balance China's influence (Weissmann 2014; 2012; 2010).

Overall, China has developed good relations with South Korea and Japan. The interdependence between the countries has created economic growth and avoided geopolitical problems. Tensions with Japan might be high on certain issues, in particular the Senkaku/Diaoyu Islands (Hagström 2012). However, the two still manage to cooperate on economic issues and on a range of other less sensitive issues. This is not out of friendship, but a consequence of the rise of China becoming an economic reality. Historically, China has had good relations with North Korea, its brother-in-arms and its only ally. The relations between the two have, however, deteriorated to a state where China has become increasingly impatient with North Korea as it shows little or no regard for China's interests (Swanström and Weissmann 2004a, 2004b; Weissmann 2012). Still, China is the only country with any real, although limited, influence over North Korea.

The East Asian countries, including China, see Russia as very different from themselves. They perceive Russia not only as a distant neighbour with its own political and strategic interests that are at odds with theirs, but also as a distinct civilisation that is neither Asian nor European (Akaha 2012). China does not consider Russia to be a competitor in the Asia-Pacific region and the attempts to advance the Russian position are not seen as a threat to Chinese interests. China is confident that Russia will not succeed in improving its relations with the countries in the region to the extent that it will create a shift in the regional balance. There is, therefore, a certain indulgence towards Russian actions (Lo 2008: 127–128).

The United States' rebalance

Counteracting the hegemony of the United States in Asia-Pacific, in particular since the "pivot" or "rebalance" to the region in 2011, is vital for China.

Although China might not be the only target of this policy, it is the main target of the rebalancing. In China the rebalancing is seen as an attempt to contain and encircle China, thereby threatening its peaceful development and economic growth and by extension undermining the regime (Interviews with Chinese scholars and military, Beijing 2014). According to Chinese experts, the United States' pivot is, in essence, about shifting the relative balance between the two major instruments in Washington's policy towards China: to influence and change China by communicating and developing friendly relations with it, together with measures aimed at trying to contain it (Interview with Chinese scholar, Beijing 2014). The United States has not been successful in using the first instrument and has, therefore, resorted to increased containment of China (ibid.). It has among other things strengthened its old alliances and created new ones in the region. It acts through its allies and encourages them to start disputes with China, especially in the South China Sea, where China feels particularly contained (Interviews with Chinese scholars, Beijing 2014). Needless to say, China has reacted very strongly to the United States' policy.

In line with the Chinese perspective it is the United States' policy that has forced China to become more assertive (Interview with Chinese scholar, Beijing 2014). It is noteworthy that it has been suggested that it is not the United States' military build-up itself that is the main cause of concern, but the policy aiming at containing and encircling China (Interviews with Chinese scholars, Beijing 2014). According to this view, the United States should instead maintain its regional leadership by promoting economic development and peace (in fact, the path the United States has set out for itself at present is not in its own best strategic interest and will in the end only hurt it) (Interviews with Chinese scholars and military officers, Beijing 2014). It cannot be stressed too strongly that this is the dominant narrative in China; in fact it is strongly engrained even among liberal Chinese with an overseas training, regardless of how aggressive and confident China may look from the outside.

Looking beyond rhetoric and official statements, it is clear that competition between the current hegemon, the United States, and the re-emerging historically dominant power, China, will continue for the foreseeable future. Despite the ongoing power shift, with world and regional power gravitating towards China, not even China believes the United States will step down in the near future. The strong economic ties between China and the United States will have a soothing effect on the regional differences and create incentives not to raise tensions. Although this is not a development most countries in the region would like to see, China is likely to become the foremost economic power in the world, but it still has a long way to go to become the military and political equivalent.

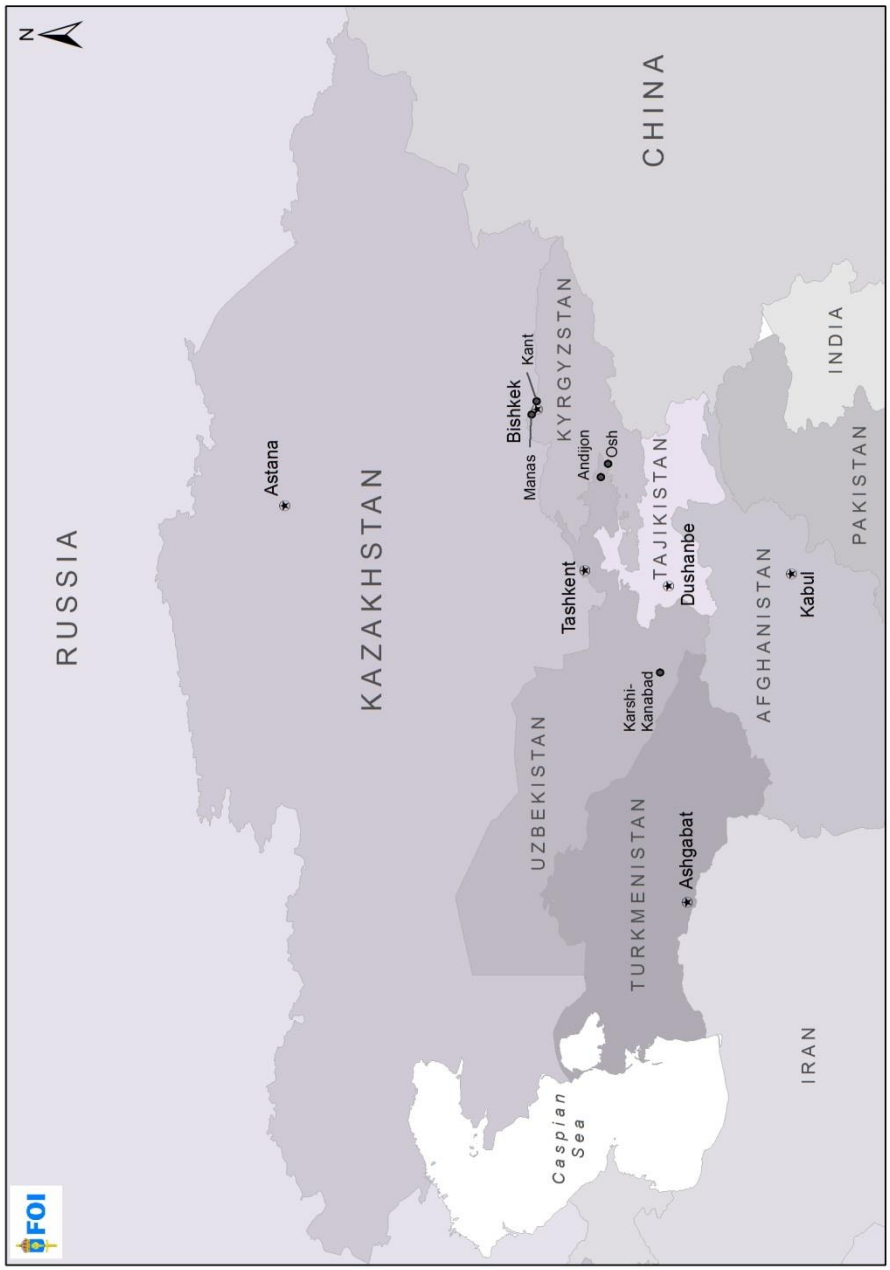
6 Central Asia

An important arena where Chinese and Russian interests intersect and may at times come into conflict is Central Asia (Kazakhstan, Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan, see Map 2). The region therefore offers a range of examples on how the Sino-Russian relationship is evolving in practice. China has had extensive relations with Central Asia for more than 2000 years, of which it had effective control in Central Asia for about 425 years (Lattimore 1962: 171). After being under Russian rule since the late 19th century, the disintegration of the Soviet Union opened Central Asia up to renewed Chinese influence. China has since then pursued a policy of carefully developing its relations with the Central Asian republics. Central Asia is thus a region where China and Russia compete for influence – a rivalry that has intensified with China's rise. They do, however, also cooperate as they are united by the wish to keep the region stable in order to safeguard their own internal stability and by their quest to limit the influence of the United States.

6.1 Russian interests in Central Asia

Central Asia is a part of what Russia considers to be its sphere of influence. One of the goals of Russian foreign policy is to remain the leading power in the region. This should be achieved by promoting integration in the economic and military field, in terms of creating a Eurasian Union and developing the Collective Security Treaty Organization (CSTO). Russia wishes to strengthen the cooperation in order to combat terrorism, extremism, crime, the narcotics trade and illegal migration (Foreign Policy Concept 2013: §44, 46, 47). Furthermore, Russia's interests revolve around energy. The ambition is to increase the involvement in the sector and to enhance the control of major pipelines going east- and westwards.

The priorities to a large extent mirror Russia's concerns with regard to Central Asia, which relate to the stability of the region in connection with the withdrawal of the International Security Assistance Force (ISAF) from Afghanistan. Russia considers that the withdrawal poses a serious threat both to Russia and the Central Asian states as it risks destabilising the region (Foreign Policy Concept 2013: §91; Putin 2014c). The porous borders in Central Asia, which could facilitate infiltration by the Taliban from Afghanistan into Russia and the huge quantities of narcotics coming from Afghanistan via Central Asia to Russia is of great concern to Russia (Facon 2013: 466).



Map 2 Central Asia

6.2 Chinese interests in Central Asia

Central Asia is closely linked to internal stability in north-western China, an area where considerable efforts are currently being put into suppressing unrest among ethnic minorities. The struggle against what China refers to "three evil forces" – terrorism, separatism, and extremism (see e.g. Aris 2009) – is aimed at safeguarding internal security and forms a crucial part of Chinese policy towards the Xinjiang Uighur Autonomous Region and Central Asia.

China's interests in Central Asia are to a great extent defined by concerns regarding Xinjiang. This area, in essence geographically a part of Central Asia, shares 2800 km of borders with Tajikistan, Kyrgyzstan and Kazakhstan and has always been a source of anxiety for Chinese leaders. A large part of the population in Xinjiang is Muslim Uighurs, who is closely related to the peoples living in Central Asia and who have expressed a wish for independence. A Chinese security concern is that extremist ideologies and terrorists could spread from Central Asia and Afghanistan to Xinjiang. China puts great emphasis on safeguarding its territorial integrity and preventing outside influence, both of which might be jeopardised if developments in Central Asia were to get out of hand. China, therefore, shares the Russian concern with regard to the stability of Central Asia with the withdrawal of ISAF (Rydqvist and Hailin 2014: 85, 92; Interviews with Chinese scholar and military officers, Beijing 2014).

China's Central Asia policy is driven by the need to ensure domestic stability and national unity. To succeed China wants to prevent instability and ensure secular governments in Central Asia (Scobell et al. 2014). The aim is to ensure a stable neighbourhood to its west and to avoid its domestic opponents linking up with foreign forces (see e.g. Aris 2009). In order to counteract this and to promote stability China has sought closer ties with Russia and the Central Asian countries. Aiming at preserving domestic stability, China has increased the share of Han Chinese in the population and has also invested heavily to develop Xinjiang, with Urumqi having been turned into the wealthiest city in Central Asia and in many respects becoming the hub of Central Asia despite its location in China (Petersen 2013; Devonshire-Ellis 2010).

Moreover, China wants to promote its economic interests in the region. Beijing has, like Moscow, strong interests in the energy sector and increasing the import of oil and gas is a priority in its policy towards Central Asia. China does not want to depend on Russia as an energy supplier and has, therefore, been looking to diversify its imports and sees Central Asia as one of the options. This also creates leverage on Russia in the protracted negotiations regarding the price of energy (Lo 2008: 102).

At the same time as China seeks closer ties with Russia it wants to increase its influence in the region at the expense of Russia and the United States (Scobell et al. 2014: 19–24). China, however, understands that Russia as well as the Central

Asian states are conscious of its strength and suspicious of its intentions and has, therefore, chosen to keep a low profile (Lo 2008: 103). In response to the Chinese ambitions Russia is pursuing a policy aimed at restraining them (Kim and Indeo 2013: 276). The Central Asian countries are aware of the Russian and Chinese competition for influence in the region and have used it to balance the two countries against each other (Interview with Russian scholar, Moscow 2014).

6.3 The first game changer – the United States' arrival in Afghanistan

The United States' engagement in Afghanistan from 2001 and the need for bases in the region was a game changer for and affected the entire dynamics in the region. Russia, which had sided with the United States in the fight against international terrorism, was unable to object to the American presence in Central Asia, in the form of air bases at Karshi-Kanabad in Uzbekistan and at Manas in Kyrgyzstan (see Map 2) (Mankoff 2012: 247–248). Russia hoped that the engagement of the United States in Afghanistan would put an end to the Taliban regime and the radicalising effect it had on Central Asia. Russia expected to remain the regional hegemon and that the United States' presence would only be temporary, but soon realised that neither of these was guaranteed. This, together with what Russia considered a lack of appreciation from the United States for Russian support in fighting international terrorism, as well as the promotion of democratic values and the "colour" revolutions in what Russia considers to be its sphere of influence – Georgia in 2003, Ukraine in 2004 and Kyrgyzstan in 2005 – contributed to changing the Russian attitude towards the United States' presence in Central Asia (Lo 2008: 93–94). In order to weaken the United States' influence Russia set up two bases in Kyrgyzstan, the air base in Kant in 2003 and an army base in Osh in 2009 (Mankoff 2012: 250), but above all took steps to improve its ties with China and the Central Asian states (Lo 2008: 95).

China, viewing the Russian cooperation with the United States with great apprehension, interpreted the United States' arrival in Central Asia as a way to encircle China and challenge its influence in the region, especially regarding energy resources in the Caspian Sea (Wilhelmsen and Flikke 2011: 876; Kim and Indeo 2013: 276). The presence of ISAF in Afghanistan was also contrary to the Chinese principle of non-interference in other countries' internal affairs. However, the Western forces addressed a key concern that China shared with Russia, namely the Islamist extremism of al Qaeda, which led China to see ISAF as a mixed blessing (Rydqvist and Hailin 2014: 88).

The initial positive response of the Central Asian regimes to the United States' arrival in the region soon changed to discontent. The Bush administration's promotion of democratic values did not appeal to them. Instead the autocratic regimes of the region, searching for a formulae to remain in power, preferred

Putin's ideas on "sovereign democracy", very simplified, authoritarian rule (Wilhelmsen and Flikke 2011: 878). This in combination with disappointment regarding the level of the United States' financial compensation for hosting military bases made the Central Asian leaders change their positions regarding the United States' presence (Wilhelmsen and Flikke 2011: 878). The American support for the protesters in the town of Andijon in 2005 contributed greatly to the decision of the Uzbek government to terminate the lease of the airbase at Karshi-Kanabad (Lo 2008: 100).

In order to weaken the influence of the United States in Central Asia, China and Russia choose to strengthen the regional organisations, the Shanghai Cooperation Organisation (SCO) and the CSTO, although this endeavour has had limited success. From a Chinese and Russian perspective, a crucial aspect of the SCO and the CSTO was that the United States is not a member. China and Russia, however, had diverging ambitions concerning the scope of cooperation with regard to the SCO. The Russian proposal to increase its military dimension was met with reluctance from China, which preferred to develop the economic side of the cooperation. Instead, Russia paid more attention to the CSTO and used it to balance China, which is not a member of the organisation (Facon 2013: 467). Russia changed the focus of the organisation to security with the goal that it would become the primary provider of security in the region (Wilhelmsen and Flikke 2011: 885–886; Facon 2013: 473–474). A Collective Rapid Reaction Force was formed, which, however, mainly consisted of Russian and Kazakh units and which has not intervened in any of the disturbances taking place in Central Asia in recent years. In response to the development of the CSTO, China proposed increased military and security cooperation within the SCO during 2011 and 2012 (Kim and Indeo 2013: 277–279).

Over the years China and Russia have changed their position on more than one occasion, from the acceptance of an American presence in the region after 2001, via the negative views after Andijon, to the present more multi-faceted view. During the last few years China has toned down the risk of encirclement due to an increasing concern for the situation in Afghanistan and the spread of the Taliban and radical Islam to Central Asia as it realises that a continued engagement of the United States and its allies in Afghanistan will promote a core Chinese interest – a stable neighbourhood – and also help stop the influx of ideologies and terrorists to Xinjiang (Rydqvist and Hailin 2014: 88–89; Interview with Chinese scholar, Beijing 2014). This said, there is an interest in Beijing in limiting the United States' presence in Central Asia. Russia, in turn, has downplayed its opposition to the base in Manas, and offered to provide the United States with extensive logistical support and a transit agreement, for the Northern Distribution Network, which was signed in 2009 and eventually encompassed Russia and all the Central Asian states, as well as Georgia, Latvia and Azerbaijan (Mankoff 2012: 248–250, 252). However, in 2011 an agreement was reached in the CSTO that the consent of the other member states was

required before a member state could host foreign military bases on its territory. This gave Moscow the possibility to veto any new base in Central Asia and a tool against the United States (Kim and Indeo 2013: 279).

6.4 The second game changer – the financial crisis

The financial crisis hit Russia hard in 2009 and as a result China was able to advance its position in Central Asia (Facon 2013: 470). China developed economic cooperation not only in trade, but also in infrastructure development with the Central Asian states. China also became the primary player in the gas market, which was a powerful blow for Russia (Kim and Indeo 2013: 276–277). All things taken together, China has been very successful and is the main trading partner of all the Central Asian states except Uzbekistan, where it is number two (Xie 2014: 71). By value, China's trade with Central Asia reached USD l46 billion in 2012, a 100-fold increase since the early 1990s (ibid.).

The appeal of China for the political leaderships in Central Asia is substantial. Beijing imposes few restrictions and has no opinion on the type of government beyond it being secular. China's policy towards the Central Asian states entails a hands-off approach to domestic issues and the provision of generous loans and mutually beneficial trade deals. Furthermore, there is a consensus among analysts that China will not interfere militarily in Central Asia even in the most extreme circumstances. This is very different from Russia, which has a preference for restrictive trade policies and a tendency to try to influence domestic politics from behind the scenes (Olcott 2013). To further improve relations with the Central Asian countries, in September 2013 Chinese President Xi Jinping launched the idea of a Silk Road Economic Belt which put heavy emphasis on Central Asia (see also section 4). These policies together with the financial crisis strengthened China's position in Central Asia.

6.5 Implications of a stronger China

As a result of its improved position in Central Asia, China no longer accepts Russian hegemony there. According to experts in Beijing, confrontation between China and Russia in Central Asia can be avoided as long as Russia does not threaten China's interests, which includes acting as if Central Asia were its backyard (Interview with Chinese scholar, Beijing 2014). For China, Central Asia is seen as a multipolarised region where no big country is to take control for itself (ibid.). China does not actively challenge Russia but continues to tread carefully: "if Russia resists, we withdraw, if Russia concedes, we take a step forward" (Interview with Chinese scholar, Beijing 2014). Russia is concerned about China's economic power in Central Asia, but is aware that it does not

possess the financial means or the political strength to match it and is, therefore, forced to accept a higher degree of Chinese influence (Facon 2013: 470; Interview with Chinese scholar, Beijing 2014).

In all this the Central Asian republics also have their own interests and ambitions that to varying degrees have an impact on the two regional powers' Central Asia policy and the way in which these policies intersect. While some countries, like Kyrgyzstan, are less able to stand up to policy suasion or coercion, more powerful republics like Kazakhstan and Uzbekistan can pursue independent policies to a greater degree. Common to all the five states is their attempt to balance Russian and Chinese interests and even to play them off against each other in order not to become too dependent on one or the other. This is reflected both within the regional organisations, most notably the SCO, and in the bi- and trilateral settings. For China and Russia this foreign policy behaviour adds to the challenges of their own Central Asia policies and to how they affect Sino-Russian relations at large. This makes Central Asia a complex area of interaction between the two and further explains why both are treading relatively carefully in their relations to the five states, and it may also be a contributing factor to why both China and Russia view interaction in the region by other great powers with scepticism or hostility.

Even if the main trend of the last two decades still holds – that China increases its economic clout and Russia attempts to retain the level of political influence it has – one new factor is bound to change the calculus and action–reaction dynamics in Central Asia. The Russian aggression against Ukraine and the annexation of Crimea have stirred deep concern in the Central Asian states as well as China (Holmquist 2015). This is a new factor and a new situation that has the potential to change the Sino-Russian relations in Central Asia, as well as the broader bilateral relationship, and is the focus of the following section.

7 The events in Ukraine in 2014

At the end of February and in early March 2014, Russian special forces seized control of Crimea. After annexing the peninsula on 18 March, Moscow turned its attention to south-eastern Ukraine, where "separatist movements" were supported with personnel and equipment in order to destabilise the country. The Russian aggression against Ukraine is not an operation undertaken for military gains, but has a greater purpose, in which the Russian Armed Forces are one of the instruments. When discussing the Russian foreign policy calculus and the 2014 events in Ukraine coupled to Sino-Russian relations, a key question is whether the Russian actions and approaches constitute a serious threat to the strategic partnership with China. The reactions of the Chinese leadership to the crisis indicate that there are elements of the Russian policy that are in direct confrontation with core Chinese foreign policy principles.

7.1 A Russian foreign policy perspective

Russian concern arose when Ukraine declared the intention to sign an association agreement with the EU in November 2013. Ukraine is not only a part of what Russia considers its sphere of influence; it is also the most preferred partner within it (Foreign Policy Concept 2013: §48d). An association agreement with the EU would preclude Ukrainian membership in the Eurasian Union, a Russian prestige project, of which Belarus and Kazakhstan were already a part. Closer ties between Ukraine and the EU were, therefore, contrary to Moscow's interests.

When Ukrainian President Viktor Yanukovich was replaced by a pro-Western government, Moscow concluded that it was losing Ukraine to the West. According to the Russian view the United States and the EU played a crucial role in Kyiv by supporting the opposition movement in organising what Russia considered to be a coup (Lavrov 2014a). Furthermore, Russia considers that the turn of events in Ukraine was a continuation of a policy that the West has pursued for the last 25 years in order to expand its "geopolitical control" in Eastern Europe and to contain Russia (Lavrov 2014b). To impede Eurasian integration was, according to Putin, a goal of the West (Putin 2014a). Hence Russia perceived the association agreement and the change of leadership in Kyiv as yet another interference by the West in what Russia considers to be its sphere of influence in order to encircle Russia and to challenge its great-power status. Russia linked the events to previous Western support of opposition movements in "colour" revolutions and attempts to enlarge NATO with countries in Russia's sphere of influence. In addition, the developments in Kyiv touched a sore spot among the Russian leadership, the fear that similar anti-regime demonstrations could spread to Russia (Persson and Vendil Pallin 2014: 27).

A foreign policy continuation?

Some of the main elements of the Russian foreign policy line have remained unchanged or intensified during the events in Ukraine. The theme that the West, dominated by the United States, is pursuing a policy of containment towards Russia, among other things by means of NATO enlargement and missile defence, has been maintained, as well as the criticism of the West for circumventing international law and the UN when it suits its interests. Also emphasised are the strong Russian national interests and the demand for respect from the outside world (Putin 2014a). Russia's foreign policy has, however, taken on a more aggressive tone and the elements of propaganda have been significant. The West is now depicted as the enemy (Putin 2014a).

In a speech on 1 July 2014 Putin (2014b) expanded on the foreign policy goal regarding protecting the interests of Russians living abroad. He stated that Russia will defend the right of all Russians and "compatriots" living abroad by using political, economic and "humanitarian self-defence operations". In this context Russians are defined as not only ethnic Russians, but also people who consider themselves to be Russian and "a part of the Russian world" (ibid.). The option to use force and the wider definition of whom to protect broadens the scope of possible operations. This could be a way to prepare the ground for other military interventions in the "near abroad".

For Russia the primary interest is to be a great power and it demands from the West that it respects Russia as such, with its sphere of influence. The pursuit of this objective overshadows consideration for the opinion of and, as a consequence, the relationship with the West, as well as cherished principles such as non-interference in other countries' domestic affairs (Persson and Vendil Pallin 2014: 25). The Russian actions can be seen as a message to Ukraine, the near abroad and the West. Russia continues to claim its place in the world. The war in Georgia in 2008 proved that it is ready to do so with military means and the aggression against Ukraine further underlined this.

7.2 The Chinese foreign policy perspective

From a Chinese perspective, the war in Ukraine, although it was triggered by closer relations between Ukraine and Europe, is part of the geopolitical struggle between Russia and the United States. It has been suggested that the change of government in Kyiv was a coup d'état engineered by the United States to "sow discord" between Europe, China and Russia in order to "prevent the Eurasian continent from moving towards integration and serve its (the United States') purpose of returning to the Asia-Pacific region and focusing its energy on meeting China's rise" (Wang 2014: 28). This viewpoint gives a good insight into Chinese foreign policy thinking and Beijing's perception of the world and its role in it.

Political and economic implications of the crisis in Ukraine

The Russian intervention in Ukraine has had both direct and indirect impact on China. Not only did it threaten certain Chinese economic interests, but it also created an international crisis on the for China very sensitive issues of territorial integrity, sovereignty and separatism. In addition, the annexation of Crimea happened at a time when the Chinese economy was slowing down and when the risk for a global economic slowdown was the last thing China needed.

For the last couple of years China has put great effort into developing its relations with Ukraine and it has considerable interests in the country. President Hu Jintao made a state visit to Ukraine in 2011 and President Viktor Yanukovich visited China in 2010 and 2013. The parties have signed a number of treaties, including a treaty of "friendship and cooperation". Ukraine is an important source of defence technology, including the first Chinese aircraft carrier, the *Liaoning*, which is a refitted Ukrainian aircraft carrier. The war in eastern Ukraine threatens to undermine China's newly launched Silk Road Economic Belt.[35] A prolonged crisis in Ukraine could put some of the Chinese investments in jeopardy and is, therefore, something that China does not want to see. Chinese experts emphasise the importance of a stabilised domestic political situation in Ukraine (Interviews with Chinese scholars and military officers, Beijing 2014). Contrary to Chinese wishes, ongoing and planned cooperation projects may have to be stopped for a while, until the situation is once again stable (Interviews with Chinese scholars, Beijing 2014). It should also be noted that the crisis has hampered the Chinese investment plans in Crimea, as going ahead with these would mean that China supports the annexation of the peninsula and make the companies involved possible targets for Western sanctions.

The events in Ukraine have put China in an awkward position at home as well as on the international arena and have forced China to manoeuvre shrewdly in order to safeguard its interests. China has difficulties, as described in section 2, with Russia's assertive foreign policy towards and volatile relationship with the West. For China the relationship with the United States is the most fundamental and there is an unwillingness to risk that for the sake of Russia. China does not, however, want to undermine its relations with Russia by denouncing its actions openly. Speaking out against the Russian intervention or voting against Russia in the UN Security Council could be seen as support for the West, thereby implicitly accepting the overthrowing of the Yanukovich regime by pro-Western forces (Tiezzi 2014). China will not support any political or economic penalties

[35] This should not be seen as a clear plan but is best understood as an idea/vision presented by Xi Jinping; thus there is a good deal of flexibility in the (possible) implementation of the idea. It should also be noted that, despite the name, in fact China's emphasis is on Central Asia where the Silk Road Economic Belt is supposed to help ensure stability in the Chinese border area.

on Russia and considers that the sanctions should be stopped (Interviews with Chinese scholars and military officers, Beijing 2014).

Behind Beijing's caution there is also the experience that the Kremlin's "moments of strategic boldness" have regularly failed to take Chinese interests into account. Putin's decision after 11 September 2001 to give the United States military access to Central Asian bases came as a shock for China (Small 2014: 7–8). Seven years later, the Russian invasion of Georgia on 8 August 2008 coincided with the opening ceremonies of the Olympic Games, which Putin together with 54 heads of state including President George W. Bush had gathered for in Beijing. Needless to say, China did not take this behaviour lightly. Moreover, the strict Chinese view on non-interference in domestic affairs precludes China from backing Russia. Supporting Russia would also mean an acceptance of the external intervention to protect and support separatists (Tiezzi 2014). As Andrew Small (2014: 7) argues, "[s]udden referendums, declarations of independence, and small breakaway republics are still the stuff of nightmares for the Chinese leadership as they cast apprehensive glances at Taiwan, Tibet, and Xinjiang".

The Russian aggression towards Ukraine has highlighted the difference in the two countries' take on sovereignty, with China adhering to a strict interpretation as opposed to Russia's more opportunistic. Russia resisted interventions in for example Iraq or Syria, but intervened itself in Georgia and Ukraine, while China has shown a consistent policy of not openly supporting interventions, even if it can be tough with neighbours (Brugier and Popescu 2014). However, in line with China's interpretation of sovereignty, the annexation of Crimea cannot be reversed (Interview with Chinese scholar, Beijing 2014). Even if other solutions with regard to Crimea's status would have been preferable they are off the table. Russia's quick resort to military means brings to life the question whether the same thing could happen elsewhere, which China finds disturbing.

China has handled the situation by staying neutral, neither acknowledging the annexation nor supporting the sanctions. According to one Chinese scholar, Ukraine has its own unique historical background, meaning that the annexation is a unique case that cannot be compared with other cases (Interview, Beijing 2014). In private, Beijing has expressed its concerns, which Moscow understands (Interview with Chinese scholar, Beijing 2014). Consequently, there is an awareness in Moscow of Beijing's disapproval of the turn of events in Ukraine and its doubts concerning Russia's judgement with regard to its sphere of influence (Interviews with Russian scholars, Moscow 2014). Possibly, as one of the interviewees argued, a consensus has been reached between Moscow and Beijing, but not made public, allowing China to maintain its official neutrality (Interview with Chinese scholar, Beijing 2014).

To avoid taking a stand, or even signalling a stand, China has resorted to exceptionally puzzling excuses and rhetoric. It has urged the parties in Ukraine to

manage and resolve their disputes "peacefully within the legal framework", at the same time emphasising that "[i]t is China's long-standing position not to interfere in others' internal affairs" respecting "the independence, sovereignty and territorial integrity of Ukraine" (Ministry of Foreign Affairs of the People's Republic of China 2014a). In the UN Security Council on 16 March 2014 China abstained from voting on a draft resolution condemning the referendum in Crimea on becoming a part of Russia with the excuse that "the draft resolution will only lead to confrontation among all parties, which will further complicate the situation" (Ministry of Foreign Affairs of the People's Republic of China 2014b). President Xi Jinping himself did, after talking to Putin, remark that "the situation in Ukraine, which seems to be accidental, has the elements of the inevitable" (Reuters 2014).

7.3 A new top dog?

Russia's aggression towards Ukraine has been a game changer for the Sino-Russian relationship. Russia has been forced to engage more closely with China due to the problematic relationship with the West. In the autumn of 2014 experts in Beijing claimed the Sino-Russian relationship to be "the best in history" with regard to issues in their bilateral relationship (Interview with Chinese scholars, Beijing 2014). According to Chinese experts Russia has become more dependent on China, which seems to have taken the opportunity to advance its position within the relationship. Russia has for example been forced to reconsider its initial negative position with regard to the Silk Road Economic Belt (Interview with Chinese scholars, Beijing 2014). This said, much as including Russia may make implementation of that project easier, it is highly unlikely that China will allow the Silk Road Economic Belt to depend on Russia's goodwill. The landmark gas deal, which includes the Power of Siberia gas pipeline (see section 4), was signed after being deadlocked for more than a decade and constitutes another example of the improved relationship between China and Russia (Wright 2014).[36] The crisis has helped to tip the balance regarding a number of contracts concerning state-of-the-art arms, where there had been doubts as to whether they would go through.

On the regional level, the crisis in Ukraine has resulted in Russia searching for more cooperation in the Asia-Pacific region, as Western avenues of cooperation have been closed. China welcomes Russia's interest in playing a more active role in Asia-Pacific since it is seen as a way for China to counteract the United States' rebalance (Interviews, Beijing 2014). The invitation comes with the precondition that Russia must respect China's interests in the region (Interview with Chinese scholar, Beijing 2014). In other words, Russia has to acknowledge Chinese

[36] For a detailed analysis of the Sino-Russian collaboration on natural gas see Skalamera (2014).

supremacy in the region and not challenge it. For China the crisis has, moreover, opened up the possibility of the United States' attention being diverted away from its rebalancing to Asia in order to focus more on Europe. This is something that China is eager to utilise in its relations with its Asian neighbours, asking whether they can put their full trust in the United States' claim that it "is here [in Asia] to stay" still holding valid.

However, in Beijing there is a consensus that on balance the events in 2014 have not been good for China (Interviews with Chinese scholars and military officers, Beijing 2014). Simply put, even if there are positive effects on China's relationship with Russia, on the aggregated level it is only a small part of China's external economic and political relations. China has a global vision, not merely a regional one.

8 Conclusions

China and Russia are united by a geopolitical world view, emphasising the nexus between historical boundaries and contemporary territorial control and influence. The geopolitical commonality also extends to the economic sphere where the physical preconditions for trade and finance play a prominent role. There is a shared discontent with regard to the state of world affairs, first and foremost the dominance of the United States on the international arena, and the common preference for a multipolar world order. The strategic Sino-Russian partnership is a fluid alliance which allows for cooperation on certain issues but also divergent views. It provides China and Russia with the opportunity to engage with a big neighbouring country that is a potential future enemy.

For Russia the greatest value of the relationship with China is that it enables the pursuit of a foreign policy with a multi-vector element. The enhanced ability to counterbalance the United States is especially important. For China the benefit is also related to the United States, as Russia fulfils an important function in balancing the United States on the regional level. The opportunities offered by the purchase of energy, advanced armament systems and the possibility of technology transfers from Russia are also benefits that China values.

The United States is both a unifying and a separating factor for China and Russia. It is a uniting factor in the sense that China and Russia want to reduce the global and regional influences that Washington is able to assert. The United States is the primary foreign relations counterpart for both countries. For China the paradox is that while the United States is a strategic competitor it is at the same time the single most important trading partner, making the relationship very different from that between the Soviet Union and the United States during the Cold War era. Because of this dualistic relationship the United States has a decisive impact on China's behaviour both on the international arena and on the Sino-Russian relationship.

Separating China and Russia is the lack of trust stemming from the uncertainty as to the other's true intentions, the competition in Central Asia, the Russian concerns with regard to its Far East and China's rise. Russia sees itself as China's equal but is more and more becoming a junior partner to China, a position it is not willing to accept under any circumstances. In fact, the idea that this could be a possibility does not exist in Russian thinking. China, realising this, openly denies it and avoids challenging Russia. Russia finds itself in a difficult position as it depends more on China from a political as well as an economic perspective than the other way around. The events in Ukraine in 2014 have further accentuated this feature.

The Russian aggression against Ukraine has been a defining moment for the relationship. Russia is per se a Western-oriented country but as a result of the

developments in 2014 the relationship with the West has deteriorated and the importance of that with China has increased. Consequently, the Sino-Russian relationship has improved considerably. China has taken advantage of the Russian dependence and advanced its position within the relationship, to get preferential agreements regarding energy and armament systems, the latter being an area where Russia previously has been cautious, and also in Central Asia. However, the nature of the relationship, the distrust, the Russian hesitation about increased cooperation with China and China's advancement of its position all make it unlikely that Russia will want to become too dependent on China in the long run. This coupled with the fact that Russia's most significant relations are with the West makes it probable that Russia eventually will attempt to mend the relationship with the West. This could mean a diminishing Russian focus on the relationship with China.

Russian foreign policy has been centred on achieving great-power status during the 2000s. After the Cold War and the collapse of the Soviet Union, Russia faced a new reality and it was to take over a decade before its economy and society could support a more advanced position towards the West. The former East European satellite countries were already part of the EU and members of NATO, and several CIS countries that Russia views as part of its sphere of influence aimed for independence from Russia. In 2008 Russia used military force in Georgia, which together with Ukraine had pursued NATO accession. The war had been preceded by a strong economic growth in Russia and was followed by the launch of radical reform of the Russian Armed Forces and increased defence spending. Building a strong military remained a priority even as Russia's economic growth showed clear signs of coming to a halt. In early 2014, Russia started a military operation against Ukraine and annexed Crimea. Even in the face of an economic crisis and increased international isolation, Russia has not shown any inclination to lower its stake in the geopolitical game.

China has more of an indirect focus on being a great power in its foreign policy. The foremost objective is domestic political stability to ensure regime survival, which depends on economic growth and nationalism. Since the late 1970s China has consistently pursued gradual reforms to become an economy with an increasing market orientation. This has proved to be a successful path, which has resulted in China today being the second largest economy in the world and a great power in terms of economic strength. Similar to Russia, China has invested heavily in modernising its Armed Forces, but, unlike Russia, it has chosen not to use them to assert its great-power status. In contrast to Russia, the modernisation of the Chinese Armed Forces has always been second to economic priorities. Unless one of its "core interests" comes under threat – for instance, if Taiwan were to declare independence – China can be expected to go a long way to avoid the risk of sanctions like those applied on Russia with regard to Ukraine. A conflict could be detrimental to China's economic ties with other countries, thereby having a negative impact on domestic economic growth and in the long

run on regime survival. Furthermore, such moves would not agree with the image that China tries to project of itself as a "peaceful" actor on the international arena.

There is an important difference between China and Russia in the perception of the requirement for being a great power due to their underlying cultural and historical differences. China is less focused on political control, in comparison to Russia, with regard to its sphere of influence. China is satisfied with the recognition of its superiority and leadership, which has traditionally been the case in the East Asian region. The noteworthy and perhaps somewhat paradoxical exception is when it comes to areas that China claims to be a rightful part of its territory, most notably the South China Sea, Taiwan, Tibet and the Senkaku/Diaoyu Islands: then control becomes a key issue. Russia's emphasis on controlling its sphere of influence is related to its focus on the geopolitical game and being a great power, where the sphere of influence is an essential part. The countries in the sphere of influence were once parts of the Soviet Union, where Russia was the centre, and they constitute a buffer zone to the outside world, especially to the West. Another factor that leads Russia to resort to control is its difficulty in making and keeping friends. Being friends with Russia comes with fewer tangible benefits than being friends with China.

Russia, like China, has a strong focus on regime survival and as a result on domestic stability in its foreign policy. China and Russia have both experienced a redefinition of the social contract between the leadership and the population. In China political ideology has lost much of its credibility to legitimise authoritarian one-party rule and the leadership has therefore turned to economic growth and nationalism. In times of economic slowdown, the Chinese leadership has adapted its policies to appeal to the broader layers of the population and increased the elements of nationalism. The Russian economic difficulties during recent years have ruled out economic growth as a legitimising base for regime survival. The Kremlin has used conservative values, including anti-Westernism and, like China, nationalism, as elements in the redefined contract with the population after the return of Putin as president in 2012. The goal of regime survival has further implications for Russian and Chinese foreign policies. The focus on economic growth gives Chinese foreign policy an emphasis on facilitating and promoting economic cooperation with other countries. The use of nationalism, however, is sometimes at odds with this as it creates tensions between China and its neighbours. In Russia conservative values narrows the scope of the foreign policy as the outside world, apart from the CIS countries, is depicted as hostile. Hence in China the goal of regime survival creates a foreign policy that opens the country to the world, whereas it closes Russia off from the world.

In the economic comparison China is the winner, although its per capita GDP is still well below that of Russia. China has succeeded in combining gradual economic reforms with authoritarian rule and has created favourable conditions

for economic growth, which has made it the second economic power in the world. China and Russia share a socialist past but the economics of Chinese communism and Soviet socialism differed in many respects, as do their routes out of the socialist economic system towards market economies. China's 30 years of gradual reforms have led to two-digit growth and the country will soon be overtaking the United States as the largest economy in the world. Russia's economy is stagnating after strong growth in the 2000s following the economic reforms in the 1990s. The country is a commodity exporter and extremely sensitive to volatility on commodity markets, especially the oil price, since oil accounts for over 50 per cent of its export revenues. The conflict in Ukraine, sanctions and counter-sanctions have aggravated the economic decline. Both China and Russia have problems with the institutional framework of their economies. Even if China's problems with governance of the economy and rule of law are less accentuated than in Russia, these shortcomings present great challenges now when China needs to refocus on the domestic economic development. Competition needs to become stronger, the land usage question needs to be resolved, and an institutional framework attractive to FDI is not sufficient to promote internal growth drivers.

Energy is an area where cooperation has a great potential to increase when Russia's resource abundance and dependence on commodity trade and China's increasing demand for energy are taken into account. Oil and nuclear power have long been areas of close cooperation with the ESPO oil pipeline and Russia building nuclear reactors for China's ambitious nuclear energy programme. In 2013 Russian state oil company Rosneft got a deal to double its supplies to China and in the aftermath of the economic sanctions in the summer 2014, Russia finally got a gas deal with China.

China is one of Russia's main trading partners, but Russia is not for China. This is explained by the fact that China has conducted an FDI-attractive and export-oriented policy towards the West. China has launched its Silk Road Economic Belt project which Russia initially was not too interested in since it involves Central Asia more than Russia. However, the new situation has pressed Russia to reconsider its initial negative position. Cooperation in arms production increased after 1989 when, due to international sanctions in the aftermath of the Tiananmen Square incident, Russia became the only arms supplier for China. China is most interested in and dependent on the associated technology transfer, but Moscow has been cautious during recent years about providing military technology for production under licence since the Chinese have become competitors, producing their own high-grade arms. Yet, with the West's more restrictive approach towards Russia, the arms cooperation between China and Russia will probably develop more intensively. A new line of cooperation could be that Russia imports Chinese electronics for its arms development.

In Asia-Pacific China is resuming its position as the regional power. Russia is seeking to increase its influence but has so far not been very successful. China does not view Russia as a competitor in the region, and does not expect Russia to improve relations with the countries in Asia-Pacific to such an extent that it would cause a shift in the regional balance. China has, therefore, shown a certain indulgence towards Russian actions as long as they do not interfere with China's interests. The United States' rebalance to the region is causing great frustration in China, but comes in handy to Russia, which fears a too-strong China and sees the United States as the only guarantor of stability in Asia-Pacific. The aggression against Ukraine has increased the importance of the relationship with China and the Asia-Pacific region to Russia, as the Western avenues of cooperation are no longer as open as they were. In order to strengthen its position in the Asia-Pacific region China has taken advantage of the situation and used the relationship with Russia to balance the United States.

In Central Asia, which Russia considers to be its sphere of influence, Russia and China compete for influence and energy resources, but are united in the quest to limit the influence of the United States in the region. The Chinese policy towards the Central Asian countries, which focuses on trade and generous loans without involvement in domestic politics, has been very successful and is a powerful tool in the competition against Russia. Russia has instead focused on hard security and tried to influence the domestic politics of the countries, which has been less successful. The global financial crisis hit Russia quite hard and facilitated China's advancement of its position in the region. The aggression towards Ukraine has enabled China to further improve its position in Central Asia as Russia has been forced to be more accommodating towards Chinese wishes.

The fluidity of the partnership between China and Russia, the competition, and above all the distrust, make the foundation for closer cooperation porous. China's preference for relationships where it is the primary player and the Russian opposition to being a junior partner reduce the likelihood of deeper cooperation. The facts that the United States is the primary partner for China and that the Russian relationship with the West, and especially with the United States, is not characterised by the same "harmony" create a further impediment. China is unwilling to risk the bond with the West for the sake of Russia and will, therefore, not support its confrontational way of relating to the West. A more binding form of the cooperation, with or without a military component, therefore seems unlikely.

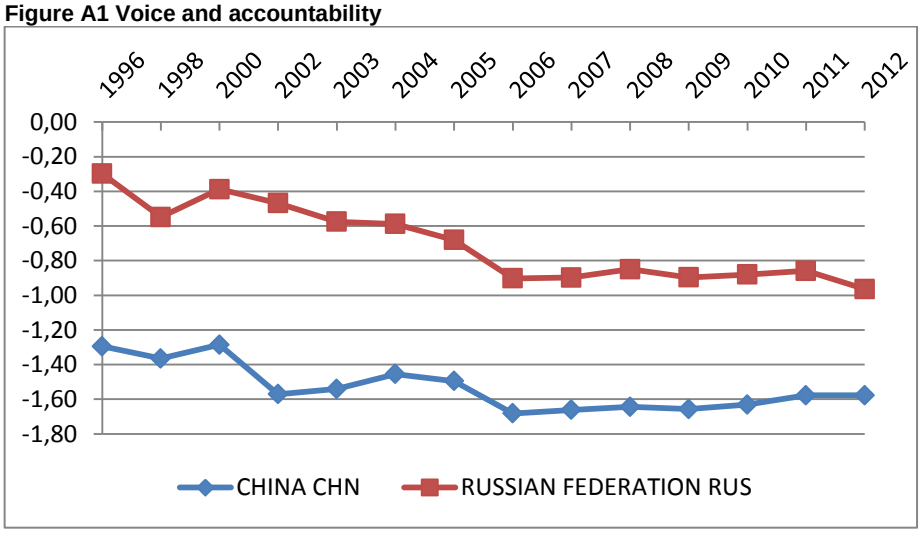
The Russian aggression against Ukraine has made deeper cooperation even less likely. To China it is yet another illustration of Russia's damaging way of handling its relations with the West and with the countries it considers belong to its sphere of interest. The Russian actions have, in the eyes of China, made it a partner less desirable to be associated with on the international arena. They have put China in an awkward position internationally and forced it to manoeuvre

carefully between Russia and the West, as it wants to maintain good relations with both. The absence of a deeper partnership does not mean that in the future China will gang up with the West against Russia, but rather that it will behave like an independent actor, in some cases turning to Russia and in others to the West. In time of crises the current manoeuvring is a behaviour that can be expected.

Annex

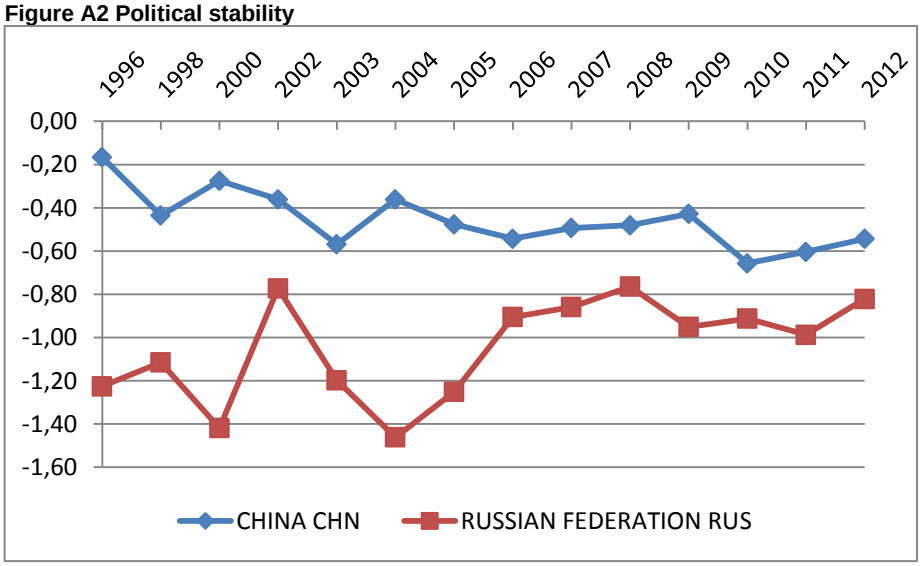
Institutions in China and Russia

Figure A1 Voice and accountability



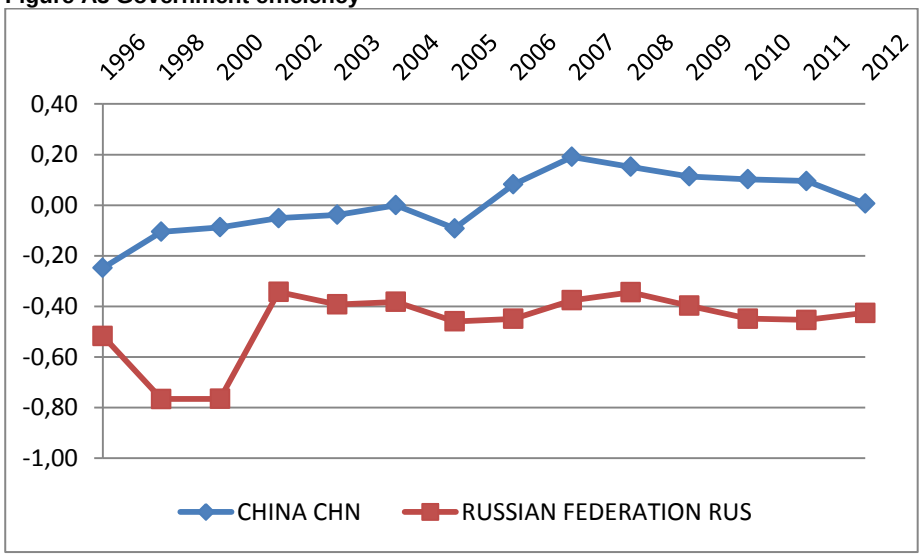
Source: WGI (2014)
Note: The value of the indicator ranges from –2.5 (low) to 2.5 (high)

Figure A2 Political stability



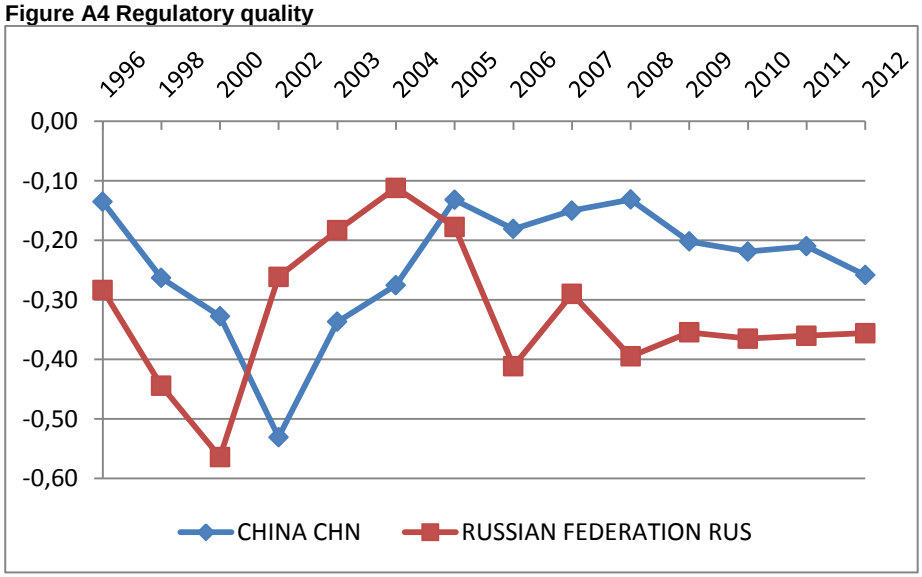
Source: WGI (2014)
Note: The value of the indicator ranges from –2.5 (low) to 2.5 (high)

Figure A3 Government efficiency



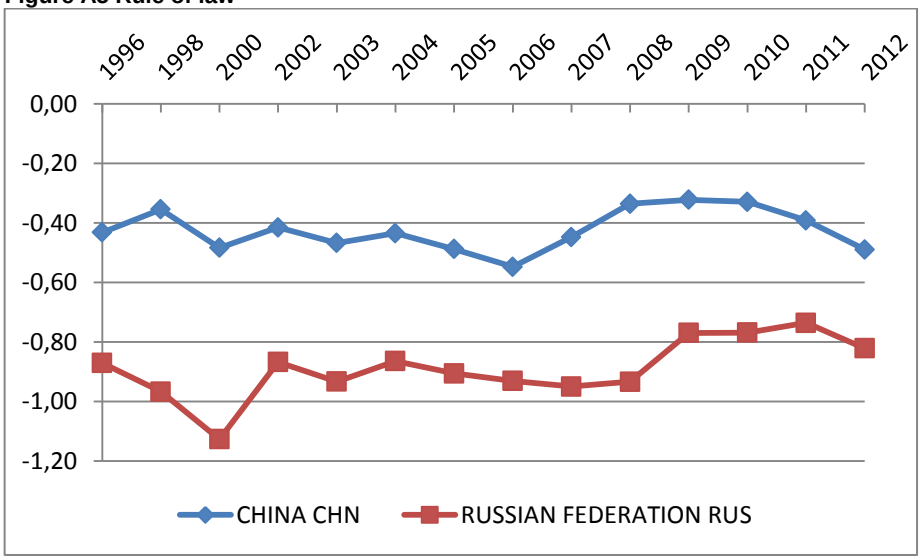
Source: WGI (2014)
Note: The value of the indicator ranges from –2.5 (low) to 2.5 (high)

Figure A4 Regulatory quality



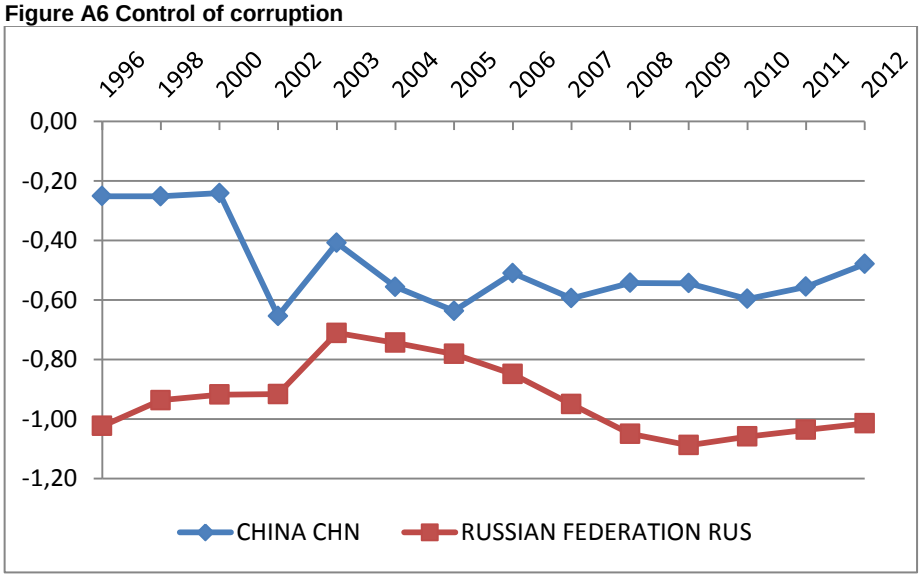
Source: WGI (2014)
Note: The value of the indicator ranges from –2.5 (low) to 2.5 (high)

Figure A5 Rule of law



Source: WGI (2014)
Note: The value of the indicator ranges from –2.5 (low) to 2.5 (high)

Figure A6 Control of corruption



Source: WGI (2014)
Note: The value of the indicator ranges from –2.5 (low) to 2.5 (high)

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List of interviews

Russia

Institution	Date of visit
Carnegie Moscow Center	7 April 2014
Center for Analysis of Strategies and Technologies (CAST)	16 January 2015
Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation	8 April 2014
Institute of Far Eastern Studies, Russian Academy of Sciences	8 April 2014
Institute of World Economy and International Relations (IMEMO)	7 April 2014
Moscow State Institute of International Relations (MGIMO)	7 April 2014

China

Institution	Administering organisation	Date of visit
Academy of Military Science (AMS)	Central Military Commission	8 October 2014
China Academy of Social Sciences (CASS)	State Council	10 October 2014
China Institute for International Strategic Studies (CIISS)	PLA General Staff Department	10 October 2014
China Institute of International Studies (CIIS)	Ministry of Foreign Affairs	9 October 2014
China Institutes of Contemporary International Relations (CICIR)	Ministry of State Security	8 October 2014
National Defence University (NDU)	Central Military Commission	8 October 2014
School of International Studies	Renmin University	9 October 2014

The relationship between China and Russia is vital for the global development. This report analyses the relationship between China and Russia from a political as well as an economic perspective. It provides an overview of the national foreign policy elements and the economic ties between the two countries, and compares how the two perceive themselves and their role in the world. China and Russia cooperate and compete in many areas and their interests and ambitions are exemplified by their policies in Central Asia, Asia-Pacific and in the context of the Russian aggression towards Ukraine in 2014. Throughout the report the role of the USA as a competitor and a partner to both countries is reflected. The fact that relations with the USA are the most important for both China and Russia is a weakness and constraint to their cooperation. Economically China is a superpower while Russia's economy is stagnating. The economic interdependence between the countries is limited, but nevertheless arms trade and technology transfer are vital elements. As Russia's relationship with Europe has deteriorated over the conflict in Ukraine energy cooperation with China has started to develop and has a large potential.

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